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NOVEMBER, 1950

## Among the Features



AMERICAN MANAGEMENT ASSOCIATION

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# The Management Review

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NOVEMBER, 1950

## Contents

# Keep Your Mind in Mind

In recent weeks *Forbes* reporters have talked with psychologists, psychiatrists, and the head of one of the most progressive mental institutions in the United States. Through their office doors have passed countless business executives who have found to their forlorn unhappiness that they couldn't take the anxieties and tensions that were constantly stabbing away at their emotional balance. They weren't "nuts" or "crazy." They were pitifully lonely, unhappy men for whom life had suddenly lost its meaning, had become a bad dream.

Most re-found themselves. Not the person they had lost—but a calmer, wiser self who had learned—the hard way—to render unto Caesar only that which was Caesar's.

Tension can't be dismissed with an airy "I-can-take-it" attitude. You can't take it. Nobody can. How are *you* standing up under today's mounting tensions? Why not look to your mental well-being today—*now?* Or would you rather do it the hard way?

Waiting is what makes it the hard way. Says Dr. Gregory Zilboorg, eminent psychiatrist and author: "Most people wait until their mental unhappiness is deeply rooted before consulting a psychiatrist, or doing anything about their situation themselves."

If you are becoming increasingly irritable; if you're not joining wholeheartedly into the spirit of family activities; if your consumption of liquor or cigarettes has been steadily on the upgrade; if you feel yourself uncertain of your position in the company; if you are discontent with your lot, if you are worried, anxious, tense, unhappy, for any one of a thousand reasons—real or imaginary—now is the time for you to do something about it. Tomorrow may be too late.

What can you do now to preserve your mental health? In two words—forget yourself.

"The further away you can get from yourself and still enjoy the capacity of giving happiness to others, the happier you will be," advises Dr. Edward I. Strongin, Director of Clinical Psychology at Adelphi College and former head of the psychology department of the Westchester Division of the New York Hospital. "By virtue of giving more, you'll get more."

All the experts to whom your reporters talked agreed that one of the most important contributions to mental health and stability is The Family. Most men feel it's up to them to insure their wife and children against want, that it is the sole task of the head of the house to plug away at his job to safeguard their economic future. But many a man forgets that he must provide for his family emotionally as well as economically. By concentrating on his financial responsibilities his emotional family bond gradually atrophies.

Coming home from the office, he finds himself incapable of joining the carefree, give-and-take spirit of family life. In time, he becomes an autocrat who feels his effort to keep a roof over his family's head goes unappreciated. Result: He turns more and more toward his second love—his job or business—until one day he discovers it to be lifeless, cold, and without meaning. Now—too late—he craves warmth, tries to use the atrophied limb of family conviviality. His grotesque efforts scare everybody—including himself. He has no anchor, and his mind is ripe for seeding.

Psychiatrist Zilboorg strongly believes

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that a man can augment the relaxing, therapeutic effects of a well-rounded family life with the pursuit of culture. By training yourself, in time you will be able to project yourself into the intriguing, stimulating, thought-provoking pages of a good classical novel. Why not a mystery thriller instead of a great book? Because the classics are peopled with humans with whom you can make contact—people whose innermost, mundane thoughts are laid bare to an appreciative, absorbing mind anxious fully to understand all people—and thereby understand itself. Opera and good music produce a similar effect in that they elevate the mind to soaring, peaceful, contemplative heights. And not enough time, says Zilboorg, is spent in quiet, relaxed contemplation.

Veteran Dr. James H. Wall, under whom many of today's practicing psychiatrists learned the gossamer ropes of their trade, goes on to say that not only should a man throw himself into the spirit of family affairs, but into community activities as well. At Dr. Wall's Westchester Division of New York Hospital, group therapy is one of the most important tools used to bring back a patient from the selfish never-never land to which he has retreated. The hospital gently woos a mental patient to partake of group activities until finally, *under his own power,* he moves into the healing circle of friends. If this trip must be made, why do it the hard way?

When asked "What about religion? Does it help the business man to keep on an even keel, and if so, how much?", no expert replied lightly that "It helps, too." Instead, each strongly accented the role that religion plays in giving a man the spiritual strength to shoulder his burden, to share his happiness with others, to learn to roll with the savage punches of the Business Life.

—*Forbes,* September 15, 1950, p. 20:3.

## The Care and Feeding of Small Business

AMERICAN PUBLIC POLICY toward "bigness" in business is radically shifting emphasis. Instead of focusing on preventing monopoly, it is tending rather toward support of the small and the young, growing business. President Truman's recent message, in which he demanded creation of special banks to supply credit and equity capital to small business, was the first official attempt to replace negative anti-bigness drives with a positive pro-smallness policy—an attempt which may dominate American economic thinking for the next generation.

To ensure a balanced economy, we *need* incentives for the small and the young business. We need positive action in four areas:

*Taxes.* Present tax laws treat alike the well-established and the young business. Today, staggering payments on the first mortgage which the government holds make it difficult for the young business to survive setbacks which established firms take in stride. Financing of growth out of earnings is blocked for young companies. More damaging is the tax barrier against perpetuation of a small business—which leaves the owner only two alternatives upon his retirement: to liquidate or sell to a large corporation.

*Venture Capital.* Our security markets —unlike Britain's—cannot handle small companies' stock issues; to make a public stock flotation, a company must have a capital of millions. And the middle-class investor, from whom the main supply of capital today must come, can afford only listed securities.

The President's recent proposal is a step in the right direction. So is the work of Boston's American Research and Development Corporation, which has gone out deliberately to supply equity capital

to new business; as have some individual investors, e.g., J. H. Whitney and the Rosenwalds. But, large corporate investors, who *should* be interested, have not yet realized either the importance of this work or the opportunities it offers them.

*Patents.* "Invention" has ceased largely to be a product of the individual independent inventor and has become concentrated in large industrial research laboratories. Thus patent protection has tended to keep the small and independent out of an entire industry, since small firms cannot compete with organized research teams having millions of dollars. We must find a way to reward innovation and risk-taking without encouraging monopoly.

*A World of Giants.* Small business must live in a world populated and run by giants. First, there is big government with its multitudinous regulations aimed mainly at big business, which can carry the overhead costs and paperwork involved—but applicable also to small business, for which the burden is excessive. Then there are big unions which, organized to deal with giants, impose union rules that create real obstacles to the small company's success and the job security of its employees. Finally, there's the problem of the relationship of small business to the large businesses with which it deals. Some giants, like General Motors, have a dealer-relations policy—partially run by dealers themselves. But on the whole, big business still must develop a code of fair relations with its small partners and neighbors.

—PETER F. DRUCKER. *Harper's Magazine,* August, 1950, p. 74:6.

## Get-Acquainted Week Boosts Community Relations

THE DUPLAN CORPORATION, synthetic textile weavers and throwsters, recently decided to see what could be done to win understanding of the company, its policies and operations among employees and residents of the ten communities where the company has mills—within a time limit of one week. Most companies work years to create an impression.

The result was "Duplan Meets The Community Week." The objective was to flood the ten towns with 150,000 tabloid-size rotogravure picture folders for seven days. Almost every merchant, grocery, service station, church, barber shop, beauty parlor, bank, bus ticket office, and local enterprise participated, with added help from radio stations and newspapers.

On the Monday morning following the event, Duplan made a quick check of results. In each town, 100 telephone calls at random got the answer to two questions—"Did you get the folder?" and "Did you learn something about Duplan?" Answers varied in direct proportion to the volume of folders and number of people in the area. Where one folder was distributed for each 3.7 people, 16 per cent had a copy and 30 per cent learned new facts about the company. But where there was slightly more than one folder per person, 61 per cent had the folder and 51 per cent learned new information.

LIVING COSTS increased over a 12-month period in 23 countries, while decreases were experienced by 11 of the 34 countries for which the International Labour Office has recent statistics. The increases in cost of living reported, for the period between January, 1949, and January, 1950, range all the way from 0.3 per cent for Sweden to 27.5 per cent for Austria. For the same period, living costs decreased 1.3 per cent in France; 2.3 per cent in the United States; 2.6 per cent in Switzerland; 5 per cent in Italy; 8.9 per cent in the Philippines; 9.6 per cent in Iran; 12.8 per cent in Israel; and 15.1 per cent in Indonesia.

## A Stake in Business

ONE OF THE CHIEF TROUBLES with our American capitalism is that there just aren't enough Americans who really believe in it. This means that if our economic system is to endure, we must create more capitalists. That job of creating capitalists is one of the most vital jobs American business management faces today.

How is a capitalist created? The most common method has been to lecture a man on the merits of capitalism, and thus presumably convert him to a belief in free enterprise. That method hasn't worked well, perhaps because we have taken only one step when two are called for. If we want to convert a man to be a Democrat or Republican, we may begin with a lecture, but we soon get down to cases by asking him to join the party and experience its benefits first-hand. Why isn't that the right procedure on behalf of capitalism? Why not persuade our prospect to take an actual stake in capitalism, so that he may have a personal interest in the survival of our present economic system?

The most direct and effective way to do this is to induce wage and salary earners to become part owners of American business. The idea is far from new, but it is an idea which should be much more widely adopted, and would deeply benefit our economy if it were. Logic agrees with experience that employees who are also owners have better understanding of the economic system, are more loyal to their company, and make a greater contribution to its success and stability.

There has been much talk about the millions of owners of American business; but among wage earners—who comprise nearly 60 per cent of all the urban families in the United States, and about half the nation's voters—only one in 10 owns stock. Among professional, managerial and self-employed groups, one in six is a stockholder; even among those with more than $7,500 annual income, only two in five.

The New York Stock Exchange and others in the financial world are now engaged in a praiseworthy effort to tap these sources of venture capital and, at the same time, increase the understanding and belief of the average American in his economic system.

Such a program is good, but it is not enough. The real acres of diamonds are in a man's own back yard. It is *in his own company* that an employee should be persuaded to invest his savings. Our company gained nearly 9,000 employee-stockholders in 1949 through stock purchases under a payroll deduction plan. To increase employee participation in the ownership of our company, a second stock purchase plan was announced in April, 1950. A special issue of 500,000 shares of common stock was registered with the Securities and Exchange Commission for purchase by employees through payroll deductions. For this first six-month period, the stock was sold to employees at $4 a share below the average market price in the first 20 days of October, 1950. In any case, the price to employees will not be more than $35 a share, nor less than $25. Employees may enter the plan at six-month intervals. A total of 15,077 Westinghouse employees, or 16.1 per cent of the staff, elected to participate in the first six-month period of this new continuing plan. By this move, our firm has obtained additional working capital, but what is more to the point, these employees now have an added interest in the future of Westinghouse, and have already worked harder to insure the company's success.

—GWILYM A. PRICE (President, Westinghouse Electric Manufacturing Company). *Marquette Memo* (Marquette University, Milwaukee, Wis.), September, 1950, p. 1:4.

COMPULSORY old-age insurance was first adopted in Germany in 1883, according to the Twentieth Century Fund.

## Better Press Relations for Industry

INDUSTRY WANTS and vitally needs the sympathetic understanding of the public. Many managers appreciate that the press plays a key role in achieving this understanding. Yet, in hundreds of communities throughout the country suspicion and sometimes outright coldness marks the relations between press and industry.

To determine why this is so, a survey was recently conducted among more than 100 news editors and reporters. Newsmen expressed their ideas at some length. They insist there is no mystery about good press relations. A New Jersey city editor explains it this simply:

> A responsible daily newspaper deals in only one commodity—news. Whatever agency helps its editors and reporters obtain news accurately, completely and swiftly, they appreciate. Whatever agency blocks their obtaining the news accurately, completely and swiftly, they resent. Press relations is as simple as that.
>
> An honest newspaper can accept no dictation as to the content of its columns. At times we run across executives who won't play unless they make all the rules. We by-pass such men and ignore their plants entirely or obtain our news from other sources. . . . Industries should voluntarily let the public in on their troubles more often.

Through all the letters runs the same thread—be frank, be as cooperative in giving the bad news as the good, realize that what your company does affects a good many people in the community and they have the right to honest reports about your activities.

Activities in which newsmen reported special interests are: development of new products, plant expansion, institution of new employee practices (paid vacations, pension plans and such), promotions and changes in the executive team, development of new safety techniques, and institution of sales promotion campaigns. They also want reports on company earnings, sales or losses; on introduction of new machinery together with data on how it will affect employment, increase production, reduce costs, or result in other changes; on layoffs or reduction of production; and on industrial accidents (news of such accidents will get out anyway, and it creates confidence to call the newspaper voluntarily). They also like to know about company parties and picnics or the retirement of veteran employees. Smaller newspapers often welcome a column of news about the activities of employees of the plant.

A number of smaller city newspapermen complained that often the large newspapers in the city get important news about the plant in their community before they do. They suggested that whenever an article affecting their community is released to the press it be released to them at the same time it is released in New York, Boston, Atlanta, or New Orleans.

On a small daily newspaper, a reporter may write from 10 to 40 items each day. On a larger paper, he won't write so many but he is likely to dig into each more thoroughly. He does all this under pressure—deadlines stare him in the face and he is constantly fighting time. A story worth page-one attention may be valueless in 24 hours—news is highly perishable.

Provide newsmen with the name and phone numbers of an executive of sufficient standing in the company so that he can answer questions and give information without the approval of higher authority. Waiting for approval takes valuable time. Papers go to press at odd hours, so such a press spokesman should be available at all hours.

The reporter resents being asked to submit articles for approval before they are published. If a company has the reputation of giving out news only when it is allowed to see the resulting article before publication, reporters turn to other sources.

One editor writes, "Some business men complain that the story of industry's side of a labor dispute often fails to get fair attention. They forget that when reporters

called them, all they offered was 'No comment.' I have never yet met a labor leader in a dispute who said 'No comment.' "

If a reporter comes to you with some news report or rumor about your company he has picked up on his own initiative, he has what newsmen call an "exclusive." He expects and is rightfully entitled to that story for his paper alone. If after you give the facts to him, you call other papers and give the same facts to them, you have violated a basic rule and he's not likely to come to you for confirmation of the next rumor he hears.

On the other hand, if you initiate a story about your plant, give it to all newspapers alike, including the correspondents of the out-of-town newspapers in your city. If you have both morning and evening newspapers in your city, vary the time you make your releases so that if the morning newspaper gets first opportunity to print one article, the evening paper can be first with the next.

Avoid going over the head of a reporter with your news—that reflects on him and makes it appear he is not on the job. When a reporter makes an error and a correction is essential, go to him first, not his boss.

Attempting to hide bad news is the most normal of human reactions. Don't do it. In late 1949 a Swift & Company plant at Sioux Falls, Iowa, exploded with 20 killed and 75 injured. The company opened the premises immediately to reporters and photographers where safety permitted, set up a press department in the company garage, aided in installing equipment for automatic picture transmission, and gave every assistance in reporting the accident fully. As a result, reporters saw and emphasized in their stories the company's intelligent, efficient and humane handling of the tragedy.

Newspapers and magazines have no difficulty filling their pages. Some editors report they throw away 10 articles for each one they use; others say the number discarded for each one used is nearer 50. Newspaper editors recently queried by Prof. James L. Julian, of the University of Miami, gave as most common reasons for failure to use material offered: limited local interest, 58; no reader interest, 53; story poorly written, 16; reasons of policy, 12; disguised advertising, 9; material obviously faked, 6; apparent inaccuracy in story, 5; material stretched too thin, 2.

Radio stations usually operate news rooms much on the principle of editorial departments of newspapers. They want your news, too, and they want it at the same time it is released to newspapers. Send them releases in exactly the same manner as you send them to newspapers; or if no releases are issued, give them the same facilities for collecting news which are given newspapers.

Radio stations also have special events departments. Let them know about company parties and entertainments, open house programs, dedications of new plants, banquets and other events which they might broadcast. Radio reporters and announcers welcome opportunities to talk over such events to see if they lend themselves to broadcasting.

—From *Press Relations*. Prepared for the Textile Committee on Public Relations by Dudley, Anderson & Yutzy, 551 Fifth Avenue, New York 17, N. Y. 23 pages. Gratis.

# Industrial Public Relations and the Secondary Schools

INDUSTRY can point to a small number of comprehensive and well-coordinated programs that carry their messages into the schools. But balanced against the mass audience programs and the reams of publicity to newspapers and radio, the plain of secondary education is virtually unplowed.

Granting that industry in its entirety does want to tell its story to the secondary student, how can this best be accomplished? In the first place, it takes a better weapon than those generally fired. The message must be specialized, it must be timed to catch and sustain interest, it must be able to attract—to bring home the idea without pedantry or cuteness or obliqueness.

Your industry-school program can bring excellent results through the use of stock public relations techniques given a special educational twist:

1. Industry-sponsored *field trips* to plants, with industry paying for the transportation. Qualified guides to conduct students through your plant operation. (Oddly enough, at least 75 per cent of student tours are requested by the teacher—not by industry.)
2. *Movies or slides* for use in the school visual education program, designed to correlate with classroom study or of general educational value—on health, athletics, "how to" subjects, etc. Material to be presented is limited only by the imagination of the public relations director.
3. *Discs, tape or wire recordings.* The majority of schools are equipped with record players However, techniques must be almost perfect if they are to hold interest.
4. Specially prepared *releases to school newspapers.* Acceptance will be greater if these are tied in with the students' interests—announcement of students who will be hired during summer vacation, for example.
5. *Advertisements in school newspaper,* magazine, or programs. Advertising may also be placed in the excellent magazines for teen interests, and in school newspapers which have a syndicated rotogravure section.
6. *Printed information* with a purpose aside from your own interests. Brochures, pamphlets, charts can be of value as a teaching aid and in student reference work.
7. *Visual displays.*
8. *Participation in school-sponsored "Career Days"* or "Vocational Guidance Days." These annual "Days" offer an excellent opportunity to distribute industry information. Your personnel manager may have something to tell the student about vocations.
9. *Industry-sponsored forums* on topics of interest to students; forums for special teacher groups.
10. *Industry-sponsored scholarships.*
11. *Industry-sponsored events* that will include students.
12. *Radio or television* educational programs directed to the school audience.
13. *Donations of obsolete equipment* scheduled for the company's junk pile, for use in school craft shops, etc.
14. *Industrial experts* to speak before school groups.

To aid in planning the program, there are more than 300 books on secondary education available; local, state and national education associations will usually be glad to assist in directing you to specific material. Idea sources and trend information can be found in such periodicals as *American Teacher, Business Education World, Educational Screen, Industrial Arts and Vocational Education,* and the *Journal* of the National Education Association.

The greatest uncultivated areas lie in schools in rural sections, small- and moderate-sized communities. There are more students enrolled in these schools than in the metropolitan schools. Public relations directors may find the metropolitan reception slightly cold by comparison, because of their broader facilities. For example, the public relations director of a chemical plant will receive heartfelt thanks from the high school chemistry teacher if he offers one of his top chemists for a short classroom or extra-curricular club lecture. Likewise, the principal will be grateful if his entire student body can be shown that new film on automobile safety. In most circumstances, the sometimes retiring teacher would not think of asking

your chemist to interrupt his work; the principal doesn't know you have a new film on file—your gesture is awaited.

It is important to stress that the secondary schools will resist a horde of high-powered practitioners who plan to commandeer the thoughts and minds of a growing generation. But the industry-school program that is based on sound public relations and aimed to meet student and teacher needs will bring favorable results on a large scale.

—TED L. TAYLOR. *Industry*, August, 1950, p. 17:5.

## Conserving the Executive's Time—Less Waste at Work

TODAY, more and more, progressive management is viewing with genuine concern the man who must perennially catch his train at night with a load of work not finished during working hours, to be accomplished in what should be his relaxation time.

A good procedure for such an individual would be to check over all the duties he is expected to perform and break each one of his functions down so that he has a clear picture of just what he is expected to do. Once satisfied with his outline, he should analyze what he is accomplishing.

Perhaps the most efficient single aid to a supervisor is his secretary, who often acts as assistant, receptionist, and part-time buffer. A secretary can be trained to handle many of the time-consuming details that eat away the hours. But to insure this service, give some thought to the planning of dictation. Have a special time for it, preferably early, so that your secretary can transcribe her notes before the end of the day. Get rid of it all at once, and know what you are going to say.

Visitors can constitute a hazard in the path of the active man. There are many ways to rid oneself of the uninvited guest or cut short the visit of one who overstays his welcome. Top speed-up technique is that of meeting visitors in an anteroom devoid of comfort, or a bare visitors' room, where the business can be brought to a head quickly. The secretary's interruption also works out quite well. But those who have steady visitors like salesmen or job applicants should set aside certain stated times in their work schedules during which it is known they will see callers.

Mastery of the telephone remains the answer for the man who wants to get the most out of his time between nine and five. The secretary should receive and screen all calls, redirecting those which may be disposed of in this way, completing those which she is able to handle herself, and putting through to her superior only those which he should handle. Some executives find it more expeditious in the long run to answer their own phones, graciously shortening calls when necessary.

Staff supervision constitutes one of the most important functions of the executive, for the work of subordinates and associates should be constantly checked. To help shorten the line outside the door, some men like their subordinates to present all their problems at a prearranged time, others hold brief staff meetings.

The conference, an important and sometimes the only way to get things done, should always be planned. One man should run the conference. Those who attend should know the subjects to be discussed ahead of time so that they may be prepared. Only those concerned should be present, and only the matters for which the meeting was held should be discussed. Meetings should start and end on time. Finally, definite responsibility for follow-up on inquiry or action should be settled before the meeting breaks up.

Concentration on a subject, particularly an unpleasant one, is absolutely necessary for the good decision. Tricks for concentration are numerous, but whatever the means employed, a never-failing device is the writing of notes. List what is good about a solution on one side of a sheet of paper, list what is bad on the other, and settle the matter then if you possibly can—but never let it go too long.

These procedures are no earth-shaking revelations. Rather, they are workable rules which, if followed, will definitely increase efficiency and allow the executive more time for concentration and long-range planning. This gives him a chance to evolve tomorrow's policies today—and so cuts down the number of hasty decisions often disastrous in emergencies.

—LESLIE JAMES BUCHAN. *Monsanto Magazine*, Vol. XXIX, No. 1, p. 27:4.

## Getting Community Readership for Your Company Publication

WHEN THE budget for your company publication is being established, why not make a careful study to determine whether a small sum to be used in wider distribution would not be a good investment? After all, the forms are there or the plates are made. Some extra copies may prove the cheapest and most effective way to tell your company or industry story to opinion makers whose support you value.

There can be no hard and fast rules for selecting the readership for this supplementary circulation. It will differ according to the nature and size of the community, the business, and the problems to be solved. Companies which loom large in the industrial picture of the home community find it worthwhile to include in the list barbershops, beauty parlors and doctors' offices, but that practice would be out of the question for a company located in New York or Chicago.

In all but the largest cities, the list might well include leading religious, educational and civic leaders, who have a genuine curiosity about the principal institutions in the community and will read such publications.

The important thing is to make the recipient value the service and want it continued. There are many devices for this. Some companies ask executives to write personal letters accompanying the first issue sent to a thought leader. The purpose of the project is explained and a return card is enclosed for the use of the prospective reader in accepting or rejecting the offer. Some prefer to send only occasional copies to thought leaders, with letters explaining the purport of some special article. This is a doubtful procedure because it gives the impression of a boost for some special cause. Usually it is better to get leaders in the habit of reading the publication regularly and becoming aware of the true relationship between the company and its employees.

—*Public Relations News Letter* No. 305, 5/15/50. Reprinted with permission of Public Relations News, 815 Park Avenue, New York 21, N. Y.

## What Do You Have to Sell?

YOU HAVE PLENTY TO SELL in your plant and community—information that puts your company in an entirely new light, if you're only alert to it. That's the conclusion of G. L. Fox, general manager of the San Francisco Chamber of Commerce, after making a survey of how a factory helps a community. Here are some of the highlights—and real eye-openers—of this survey:

A typical factory with 150 employees provides an annual payroll of more than $400,000. It supports 1,000 persons, provides for 393 occupied homes, and causes the sale of 320 automobiles. It also supports 24 professional men, 22 schoolrooms, and 33 retail stores. Retail sales traceable to this typical factory amount to $244,000 annually. This, says the San Francisco Chamber, is the normal outcome of the circulation of money and interplay of economic forces started by the factory's payroll.

—*Factory Management and Maintenance* 9/50

# Typist Training: An Often Overlooked Area for Savings

TYPEWRITERS are so much a part of the business office it is easy to take them, and the typists who use them, for granted. When the volume of business grows, the easy and usual way of handling the resulting increased volume of paperwork is to hire additional typists and put them at new typing stations. Up to a point, this is the sensible thing to do, but there comes a time when a little deeper digging is desirable from a cost standpoint and a matter of sheer necessity from the viewpoint of space utilization and personnel recruitment.

The cost, estimated to average nationally $2,500 a year for maintaining a typing station, is not a large item in relation to a total budget; thus one more station may seem to make little or no practical difference. But when the number of stations grows into the scores, the hundreds, and—as at our firm, Farm Bureau Mutual Automobile Insurance Co., Columbus, Ohio—even a thousand, the typing budget, amounting to hundreds of thousands of dollars, is the major element of office costs. During our period of extremely rapid growth when we expanded from one building into four with a fifth now under construction, we came up against this problem in a very acute form. So members of our executive, methods, and supervisory staffs worked with Remington Rand consultants to develop a program geared to the specific requirements of our expanding organization. One of the tests made consisted of teaching an experimental class drawn from the Ohio Automobile Policy Writing Pool. Four one-hour periods of instruction on successive days were given members of this group. Special skill-building techniques and materials were used. The results were surprising. In all cases, speed was increased and errors decreased, the mean decrease in errors being 2.7 per minute. A recommendation was made to commence training at the supervisory level. This was put into effect by hiring a training director. Now three persons are employed for this activity. Spoilage or wastage of forms has been reduced by 25 to 49 per cent in various departments, largely as a result of better supervisory training which reflects in more competent supervision.

Classroom training to increase speed and accuracy was also suggested. A classroom was set up and a teacher employed. Training now starts upon employment. A solid week is devoted to indoctrination and orientation of new typists. Motion pictures and other visual aids, as well as lectures, practice, seminars, and escorted inspections of the work of the several departments are used.

Thus is high morale created and *ésprit de corps* inculcated from the start. The new typists, when they are assigned, know something about the organization, its policies and methods, and the relationship of their own work to the over-all accomplishment. Typists are encouraged to qualify themselves for advanced training by passing series of tests, so that an alert girl can earn promotion to supervisory work.

Another innovation was the provision of lifts to mount the typewriters to fit the height of the girls at the typing stations. A girl who wears a size nine dress and a girl who wears an 18 cannot both be fitted at a typewriter at an arbitrary height established for a "normal" girl who is a scant 5′ 4″. These lift boxes were made in our own carpenter shop, tailored to the typists to whom they were assigned. By having typewriters set at the right level for each girl, fatigue was reduced and output increased. Energy is better spent on productive work than on compensating for muscular strain im-

posed by an effort to fit where one does not fit.

A third suggestion to increase production, thus decreasing costs, was the use of gothic type for forms writing. The use of gothic type ups production because it eliminates some operations, e.g., shifting from lower case to capitals. Moreover, it cuts actual strokes required to write an average document by about 25 per cent.

Our company has found that proper selection and training of typists and provision of the most efficient machines and systems for their use returns a definite profit.

—R. E. Fox. *The Office*, September, 1950, p. 55:4.

# Work Simplification Applied to Clerical Operations

HAROLD R. NISSLEY

CLERICAL work increases so rapidly that every effort should be made to simplify it and eliminate as much of it as possible—instead of hiring additional personnel to handle mounting office loads. Listed below are a few suggestions that might prove helpful in simplifying your company's clerical tasks.

1. *Peak Loads.* Assuming a good job of office load planning has been done, local secretarial and calculating firms offer peak-load services at moderate hourly rates; calculating and other equipment are furnished at a slight additional charge.

2. *Devices,* such as typewriter stroke-counters, are available for measuring repetitive work. It is possible to set performance standards in office work just as it is on the manufacturing floor.

3. *Revamping old forms:* (a) What would happen if the entire form were put out of circulation or parts of it were eliminated?

(b) Has enough space been allowed for writing?

(c) Has writing been reduced to a minimum by the use of check-mark spaces?

(d) Has line and other spacing been arranged so that information can be readily transposed onto the typewriter?

(e) Are data and charts properly labeled and dated so that anyone can tell at a glance the what, where, and when of the data and charts?

(f) How do you know the information asked for is clear? Has your form or questionnaire been "tested" on enough people before going to the printing stage?

(g) How much time will be spent in analyzing information on the form? Can punched, notched, or colored cards be used instead of standard $8\frac{1}{2} \times 11$ sheets of paper, thus facilitating the separation and counting of certain data?

(h) Can re-copying of information be eliminated by using all or tear-off sections of original form? Example: Combined use of shipping notice and invoice.

(i) Can interoffice *memos* be simplified and clarified? Example: In one large organization (over 100,000 employees), the origin of interoffice communications is frequently lost because the originating place or office can seldom be found on the printed form (only the name of the sender).

(j) Can letters be streamlined by a good letter-writing course for executives (and stenographers)? There are few companies that could not pay for such a course out of savings in stenographic and other time *within six months after completion of the course.*

4. *Typing.* Can paper, postage, filing space, and typing time be saved by single-spacing instead of double-spacing ditto and mimeographed sheets? By indentation, underlining, capital letters, and

other typing devices, an efficient typist can cut her paper needs from one-third to one-half.

5. *Collating* or assembling sheets is usually time-consuming and fatiguing. If you have a lot of collating work, though infrequently, a simple cardboard collator might reduce your collating time to less than half what it is now—and with less operator fatigue.

6. *Office Layout.* Are desks and equipment positioned for optimum efficiency?

7. *Simplification of Equipment.* Can quick and inexpensive slide rule computations be substituted for longer and more expensive machine calculations? How often do you need such special purpose equipment as 18-inch typewriters? Can thorough overhauling of the filing system reduce filing and searching time *and* forestall the purchase of new equipment for several months or years? There would seem to be little expense involved in the purchase of modern steel filing equipment; but such equipment does need valuable space and carries property insurance and taxes.

8. *Counting paper and supplies* can be simplified if postage scales and other such devices are used. Thus if 100 sheets are counted and are found to weigh one pound, 775 sheets can be quickly "counted" by throwing onto the scales an additional 6¾ pounds of paper.

9. *Can walking be eliminated* or reduced by the use of tub files (for hourly reference of active materials)?

10. *Have arithmetical mistakes* been minimized or eliminated by the use of short-cut checks on figures and decimal points? Has the slide rule been fully exploited?

11. Have flow process charts been used in any clerical operations to determine in detail precisely how jobs are done now with a view to simplifying individual jobs and redistributing routine tasks to lower job classifications?

12. Have you ever tried taking movies of some of your highly repetitive operations? You'd be surprised how far a group of operators and supervisors (and an industrial engineer) will carry "perfect" job designs—carry them at times to the point of completely eliminating a job, thus freeing the operator for more interesting and productive work elsewhere. Such job movies need not cost over $5 per job for the film.

## Clock Watchers

DO YOU HAVE A PLATOON of "Clock Watchers" in your office? If you do, you are fortunate, according to the head of the accounts division of one large department store. You probably get more work from them.

His theory is that most persons glance up at the old wall clock primarily to pace themselves at their work. By "clocking" their tasks, they can accomplish more. To prove this theory, this supervisor ordered clocks to be installed in every office of his department, so that everybody would be able to watch them.

He then gradually increased the individual assignments in the delinquent accounts pool. The additional work was done without a hitch because his people continuously paced their work in accordance with their time. Other supervisors have since followed the pattern set in the accounts division—and with equal results.

—*Supervisors' News Service*

## Is Everybody Happy?

HALF THE NATION'S WORKERS are not happy in their jobs. So says pollster Elmo Roper. Not so the farmers and executives: 80 per cent of the nation's farm workers like their chores, and 90 per cent of top brass would do it again if they had their lives to live over.

—LAWRENCE STESSIN in *Mill & Factory* 9/50

## Personnel Management

# Multi-Employer Bargaining—Good or Bad?

**LEO TEPLOW, Associate Director, Industrial Relations Division**
**National Association of Manufacturers**

WHY DOES the average American approve of collective bargaining? Because he sees it as the traditionally American way of permitting people to take the responsibility for figuring out their problems for themselves, without calling on the government, the police, or the courts to do it for them. And if collective bargaining is good, then, says Mr. U. S. Citizen, multi-employer bargaining is even better.

When the layman pictures collective bargaining, he sees representatives of both sides seated around a table, considering each other's demands, reviewing the company's problems, and finally coming up with an agreement which meets those particular problems in the way most suitable for that one company.

But note the change that takes place when instead of having one company bargaining with its employees you have 50 companies bargaining jointly with a union council representing all employees. In the first place, all 50 companies cannot very well participate in the negotiations. Sometimes none of the companies participate. The negotiators, therefore, cannot be thoroughly familiar with the peculiar problems of either the companies or the employees. They view the situation from the viewpoint of the industry. If one or a dozen companies suffer as a result, that's too bad. The issues are likely to be more general, less personal and more acrimonious than they are in individual company bargaining.

Particularly serious is the effect of industry-wide bargaining upon small business. The small business has little chance of making its influence felt or its needs taken into account in any industry-wide negotiation. Furthermore, no matter what the size of the business, there is more incentive for the representatives on each side in multi-employer bargaining to resort to pressure tactics and to political maneuvering. The representatives of each side believe they must keep their principals sold on the idea that their representatives are putting up a real fight for them. There is a tendency, therefore, to magnify differences and make a great to-do about each point gained.

The principals cannot possibly be as fully advised of the problems and nuances of the negotiations as they must be when they are doing the negotiating themselves. As a result, they are more likely to adhere stubbornly to their original positions and hesitate to make concessions. Every concession is viewed as a serious and unnecessary loss, since the principals do not fully understand the reasons for them. And the resulting agreement, when finally reached, is likely to be greeted as a bad agreement by both sides. Result—no incentive to make the agreement work. Rather, the incentive is to "show up" the unworkability of the agreement reached by someone not familiar with the peculiar problems of each company that must now apply it.

So far we have considered only those cases where the negotiators succeeded in reaching agreement. What if they don't?

When a strike affects one company, the users of that company's goods or services can fall back on another company. But in a multi-employer strike, there may be no other company to go to. An emergency may result, depending on the extent of the strike. The public becomes impatient. The government moves in. Government

From an address before the National Forum on Trucking Industrial Relations of the American Trucking Association, Inc., Washington, D. C.

pressure, by way of public recommendations or fact-finding boards or imposed arbitration, usually results in a much worse settlement than the parties could have made themselves, and one resented by both sides. What is more, free collective bargaining suffers and government regulation and control loom nearer.

It is not often realized that out of 4,700 work stoppages which took place in 1946, 15 were disputes which grew out of industry-wide or market-wide negotiations; that these 15 disputes alone accounted for 54 per cent of the total number of workers involved in strikes during the entire year; and that 48 per cent of the total number of man-days lost through strikes were the result of these 15 multi-employer disputes. The record for 1947 is even more impressive. Of the 3,693 strikes which took place in 1947, three strikes alone—and they were multi-employer strikes — accounted for nearly 45 per cent of the man-days of strike idleness that year and included over 35 per cent of all workers involved in strikes in 1947.

No one who has given serious consideration to industry-wide bargaining can avoid recognizing that industry-wide or multi-employer labor disputes invariably result in government intervention. The implications to future labor-management relations should be obvious.

Recently another serious problem has arisen. Collective bargaining about industry-wide, union-wide or area-wide pension programs threatens the very existence of some companies and industries. Bad enough as some of the pension programs imposed by collective bargaining may be, their effects can be much more serious if they are to be set up on an industry-wide basis. If collective bargaining about pension plans is here to stay, how can we engage in multi-employer bargaining and oppose such industry-wide or area-wide pension programs?

Multi-employer collective bargaining may be unavoidable under certain circumstances. Where the individual companies are too small to support separate union locals (as in restaurants, barbershops, etc.); where the term of employment is short and the turnover great, as in the building industry or stevedoring; where a strong, militant union faces unprepared managements—in these cases, multi-employer bargaining may be inevitable. But the long-range dangers are too great, the probable price too high, to warrant general adoption of multi-employer bargaining wherever it can be avoided.

One of the great virtues of the American way of life is that it is a fluid society and does not have the rigid stratifications that obtain in most other countries. Many American employers, for example, can and do call many of their employees by their first names and vice versa. Classes, as we know them in most foreign countries, simply do not exist here. It seems to me that, as you depart from plant level bargaining, there is an ever greater inclination for both sides to acquire a group consciousness that is very close to class consciousness. And as multi-employer bargaining extends its scope to cover regions, industries, or the entire country, the deepening of misunderstanding and the emergence of deepseated differences makes class consciousness more likely for both sides.

## An Experiment in Profit Sharing

Successful company operation depends on the efficiency and cooperation between executive personnel and employees. Officials of the Gallagher Transfer and Storage Company of Denver, Colorado, have instituted a profit-sharing plan to help make this ideal a reality.

Gallagher Transfer and Storage operates freight lines to Scottsbluff, Nebraska; Salt Lake City, Utah; Billings, Mon-

tana; and to all major cities in Wyoming. On December 1, 1949, slightly over 200 employees were participating in the plan, excluding only executives, employees with less than six months of service, and the Salt Lake road drivers, who elected not to come under the plan.

The plan operates in this manner: At the end of each month the company deposits in a special fund 20 per cent of the operating profits before income taxes are paid. At the end of the fiscal year for the plan (October 31), the total amount in the fund is divided among all participating employees in proportion to their earnings during the year. Each month a statement is issued so that employees may know the state of the fund and the share of each individual at the end of every month.

A committee, to be elected yearly from the participating employees of the various departments, administers the fund. Each month the accounting department submits a report of the progress of the fund to the committee, which, in turn, approves all payments under the plan and determines the disposition of all penalties. The Employee Committee also has the right to recommend the discharge of any employee for inefficiency detrimental to the best interests of the employees participating in the plan.

The company's part in operating the plan is the assessment of penalties because of errors, negligence or other action on the part of participating employees which result in added costs of operation. Also, it reviews recommendations of the Employee Committee to make certain no one is unjustly penalized and to insure an accurate accounting of all funds.

Penalties assessed under this system are of two types—individual and blanket. Individual penalties are those levied against an employee because of his carelessness or negligence. For instance, if an employee drops a shipment and damages it, he is charged for the amount of the damage or loss. In some cases it is impossible to determine individual responsibility for a mistake or claim. In such cases, the penalty is assessed against all employees. For example, at the end of October, 1949, there were some $9,000 in claims not accountable to any one person. The amount was therefore prorated against all employees, based on the amount of their bonus. The greater the employee's bonus, the harder he was hit by the blanket penalty.

All employees are not exposed to the same risk of error or negligence. In order to equalize application of the plan, employees whose duties involve a high degree of risk are allowed a penalty tolerance or "cushion" before any penalties may be charged to them.

City drivers are allowed a cushion of $60 a year. If at the end of the year a driver's penalties have not exceeded $60, no deduction is made from his check for the amount over and above the $60 allowance. Road drivers are allowed a quarter of a cent a mile for a cushion. The unused portion of this cushion is paid to them in addition to their regular bonus.

Personnel laid off for lack of work retain all rights under the plan. Assessments made against employees who quit or who are discharged are paid from the total fund. Employees who quit or are discharged for cause lose all rights under the plan. Such employees who are covered by a union agreement will receive retroactive compensation for any difference between actual wages received and the wage rates specified by the union agreement.

The company desires to maintain its good relations with the union with which it has agreements, and the basic hourly rates, plus bonus earnings, should result in earnings substantially above the contract rates which the union has with other firms in the industry. In the event that total earnings, including bonus payments, do not equal the rates specified in the applicable union agreement, the company will pay the difference to the employees affected, at the time the annual bonus is distributed.

The company recognizes the fact that economic conditions change and that at such times a general adjustment in the basic wage rates may be necessary. Today the company's base pay is six cents an hour below that called for by the applicable union agreement, on the average. Should the total income of any employee

not equal the amount he would have made had he been paid the six cents, the company will make up the difference. If in the future the union gains a wage increase, the company is willing to adjust the base rate accordingly.

This plan has been in effect for nearly a year and has proved extremely successful. Turnover has been reduced, and employees are far more inclined to be careful in their handling of shipments. Consequently, claims are down and shippers get faster and more efficient service.

Everyone affected by a plan such as this benefits from it—the customer through better service; the company through better labor relations and more efficient employees; while the employees benefit the most from the greatly increased annual income. Other employers might find it to their advantage to study this plan with the idea of adapting it to their own firms. Though it might not be practicable for the large corporation, there are many small companies like Gallagher's that could make good use of such a program.

—RALPH E. HALLOCK. *Industrial Relations Newsletter,* University of Denver, Vol. II, No. 3, p. 24:4.

## The Key to Readership in the Employee Magazine

"IN CLOSING may I repeat, ladies and gentlemen, the use of *personals* in employee publications is a waste of space. They do your management no good." With that remark the editor of a nationally known trade paper left the platform where he had been speaking to about 100 publication editors. The applause was half-hearted, but the questions that followed were far from lukewarm.

The first questioner asked: "Will you tell us, Mr. ————, what percentage of an employee publication should be *personals?*" The editor-speaker replied, "Not more than 20 per cent," and a murmur of disapproval spread through the audience.

An old-time and well-seasoned editor then asked: "In most employee publications you will find printed somewhere *by the employee and for the employee.* Are these just so many words trying to kid the employee that his magazine is really his? With only 20 per cent of the book devoted to him as you suggest, aren't these words, *by the employee and for the employee,* just so much window dressing?" The speaker mumbled a few unintelligible words, and that was that!

After addressing this group of Eastern editors who take their profession seriously, the speaker found himself in a hornets' nest created by statements that have been too often made.

Can it be possible that professional employee publication consultants and trade paper editors feel they must favor management just because management pays their fees?

Most managements and their editors agree that the purpose of employee publications is to make better and happier workers and citizens. To accomplish this, the idea seems to be: Carry articles on the American way of life, on company policies, against communism, etc.

However, the pill you take for an illness is more sugar coating than prescribed medicine. The 20 per cent *personal* proportion or any such percentage, reduces the sugar coating, cuts reader appeal. Without reader appeal, the prescribed medicine will never be taken.

Let's look at the much discussed personals.

When an item appears about Joe of Department 66 having a third son, this causes comment and chatter in his department. Joe becomes somebody. His fellow workers get to know him better. Everybody becomes more friendly, and the department becomes a better place in which to work. Production goes up, and friction goes down. Who will say that such a personal is not worth while to both the employee and management?

The average employee never gets his name or picture in the local newspaper or magazine. His employee publication supplies a medium where he can appear before his fellow workers and his family. His ego is built up, he becomes important. He ceases to be worker No. 4306 and becomes a person of discussion.

When an industrial editor runs an item about Mary Bloake's son who has just gradu-

ated from law school and passed his state law exams and been admitted to the bar in his home state, is it a waste of space to carry this personal because nobody knows Mary Bloake's son and because Mary B. is a little-known newcomer to the Hard Nut Co.? This little item, possibly with a picture of Attorney Bloake, will introduce Mary B. to the gang. It places her in the position of a Hard Nut Company employee and mother and good American citizen who through thrift, free enterprise, hard work and mother love, has educated her son and placed him in a position where he can be of public service to his community.

The arguments *for* the overdiscredited personal are legion. Though often written in everyday language bordering on poor English, the personal item not only makes the employee's magazine his own publication, but it provides the *open sesame* to the magazine. The article on Mary Bloake's attorney son may be cause for employees in her department to read the whole page, which also carries an out-and-out article on Your Easter Bonnet Has 150 Hidden Taxes, or Is the Light Pink in America Turning Red?

Some surveys show that employees in large proportion clamor for the heavy articles. Any smart editor or consultant can so design a survey that the answers to the cleverly worded and arranged questions will be answered about as he or his management desires. This does not imply that employees shun these heavier articles. Personal contact with thousands of employees, however, proved to me that they want them only in small doses, and that those doses are digested better when sugar coated.

—KEN TUTTLE in *Printers' Ink* 7/28/50

## Employee Communications in an Era of Mobilization

THOUGH THE PAINS OF INTERNATIONAL CONFLICT are as yet relatively moderate, certain industrial therapists are looking over the medicine cabinet. In a matter of months or even weeks, they figure, they may be faced with the need for rearranging the employment pattern, for establishing a new type of relationship with employees.

Here are a few symptoms, culled from the ledgers of companies already in the throes of change: (1) Many companies are today revamping and modernizing their indoctrination manuals, against the day when personnel and supervisors will be too busy to explain what the new employee ought to know. (2) The president's letter to employees is taking on a new tone. The president can't ignore the talk in the air any longer. Employees right now want to know what the boss thinks. (3) Communications with supervisors are becoming more important than ever. (4) The employee publication promises to undergo the major change of all the devices of communication. If it's primarily a morale job on the home front, certain companies are beginning to reason that talk about competition, about customer importance, and such things must yield to sterner talk about saving, and about the consequences of hoarding. Some publications already have entered upon vigorous editorial campaigns against reckless spending. Others have revived their mailings to men in uniform, because part of the employee publication's job is to carry to these men the news of home.

—ROBERT NEWCOMB AND MARG SAMMONS in *Advertising Age* 9/25/50

## Employee of the Month—and Year

TO BUILD EMPLOYEE INTEREST in the success of the company, C. A. Norgen Company, Denver, recently established an "employee of the month" plan, which is proving remarkably effective in achieving that objective.

Each month a committee selects an employee who has made an outstanding contribution to the company. He gets a certificate and a cash award. Then, once a year, an employee of the year is chosen. He, too, receives a certificate and a cash award, of $250. The presentation is made at the company's annual Christmas party—the big social affair of the year. Works well, says the company, and nobody has yet hollered "paternalism."

—*American Society for Personnel Administration Bulletin* 7/50

## Speak Up, Mr. Employer!

BUSINESS NOW knows that it must tell its story. It has learned that all Americans must be made aware of its functions and its services to mankind. Otherwise, the days of free enterprise are numbered in the country that gave birth to and has nurtured the philosophy of freedom of opportunity.

*Where do we begin?* Let's start with our own employees. Let's tell the story first to them, so that they may recognize fully the identity of interest that exists between management and worker—so that they, in turn, will tell others of the economic interdependence that underlies the American system.

*How do we begin?* All channels of communication should be used, but let's discuss here the place of company meetings in this program of better employer-employee understanding. The printed word has its place, but it cannot achieve the warmth of contact attained through employee meetings.

Use employee meetings to give your people a better understanding of their work, their company, and its part in the dramatic story of American enterprise. Meetings allow for great versatility. They can be varied as to size, nature of attendance, subject material treated, and the setting. They can be enriched by visual aids, such as films and charts, and summation materials for take-away, but be sure they relate *directly* to your subject. Meetings can be used to handle highly complicated subjects because they permit questions and thus allow early clarification of misunderstandings.

In your program planning, decide in advance of meetings what points are to be covered under each agenda item. Use care in timing schedules, so that meetings will go smoothly without embarrassing lags. Your audience will quickly spot any awkwardness that comes from makeshift planning.

Program guidance can be had from an advance opinion survey of your employees. There is nothing like a poll for measuring the extent of understanding of your operations among your workers. Often employers are amazed at the misconceptions that exist even among workers who have been with the organization over the years. And just as valuable as the advance survey are later surveys to measure the impact made by the meetings.

If your employees are organized, it is best to give advance notice to union leaders. If possible, get employee representatives to work on the planning and execution of the meetings with you.

Brief your foremen in advance; obtain their collaboration early in the planning phases. Since they are part of your management family, they must be fully briefed on the topics to be discussed. If you have set up a foreman training program, you have a ready-made opportunity both to inform them and to train them to inform the workers they supervise. The workers in very large plants know only the foremen as their employers. If this is an inevitable fact, at least capitalize on it.

In the selection of subjects, matters of collective bargaining should not be scheduled without the precaution of obtaining legal advice beforehand. If controversial or complicated subjects are interjected, discussion should be postponed until legal advice can be obtained. Similarly, discussion of employee problems which should be taken up through grievance procedure should be firmly avoided. If discussion of technical subjects is planned, arrange to have them handled by those who are not only thoroughly familiar with their subjects but who also are capable of explaining them in simple terms.

Be prepared to answer questions. If questions are put which you cannot answer, simply say: "I don't know, but I believe I can get you the answer. I shall give the answer to all people in this room either at the next meeting, or in a letter." Any appearance of hedging, of seeming to withhold information, is always a liability.

Questions and comments from the audience, particularly in small-group meetings,

are a good barometer of the trouble spots in a personnel program, although a survey by the questionnaire method and by personal interview is better for determining how many persons are affected by a given problem and how intensely they feel about it.

In planning these programs, companies can learn one from another. For example, General Electric reports as follows:

"Managers of each of our plants undertook to talk directly to small groups of employees in the plants and offices, giving a report on the then current downtrend of business and providing the employees with an opportunity to ask questions on any subject they desired, excluding, of course, certain technical matters subject to negotiation. This method . . . was so successful that most of our plant managers planned to continue the talks on a quarterly basis.

"Our . . . Apparatus Department has had considerable success with what they call 'workers' informative conferences.'

"These conferences are in three parts: First, information is passed down through the line organization by a series of weekly meetings, starting with division superintendents, who then meet with their own staffs, and subsequently reach the foremen.

"Second, the workers' informative conference, itself, is conducted by each foreman and a representative group of those he supervises. The foreman works out an agenda with his supervisor. No effort is made to have uniformity. The primary objective is to present a program which appeals to the worker's self-interest. After the more or less formal presentation of the subjects on the agenda, the foreman throws the meeting open to questions and discussions—again on any subject except those which are negotiable.

"Third portion involves a report back to upper management by the foreman, which completes the two-way communication channel."

—From *How to Tell Your Business Story in Employee Meetings,* American Opportunity Series, Chamber of Commerce of the United States, Washington, D. C. 20 pages.

# Partners in Velvet

PROFIT SHARING was first talked about seriously at the American Velvet Company 11 years ago. The first profit shares were paid to workers just before Christmas, 1940. American Velvet's plan provides that 30 per cent of the company's annual profits—with one-third paid into a retirement trust fund and two-thirds paid in cash—are to be distributed annually to all employees.

I am a manufacturer who has found that it pays to work in cooperation with a union, but I had to learn that the hard way. Up until 1939, when we installed profit sharing in cooperation with the Textile Workers Union, as an expression of mutual trust, we had all kinds of problems with labor. Under profit sharing, we started working for ourselves as a team—a joint endeavor that improved our entire outlook on life.

To be successful, profit sharing must be tailor-made to fit the conditions and personalities of the business. Even had there been no profits to share (a question which always comes up in any discussion of profit sharing), labor and management would still have gained from the close working relationship which helps to anticipate profit fluctuations. After all, workers have nothing more to lose than ever before, and everything to gain. They have always shared losses, in terms of unemployment.

When workers identify themselves with the business as a whole, under profit sharing, they make every effort to avoid losses and preserve employment levels in bad times as well as good. For example, last year our inventory was high, and the shop committee voluntarily suggested going on four days until orders cut down

inventory. It was their idea, not management's. What we have done at American Velvet is not unusual. We are simply doing things nowadays *before* we have to do them.

Most manufacturers admittedly are only too glad to give an increase in pay when they are certain they can do so and still make money. But how can we be certain until the end of a fiscal year unless we figure out some plan such as profit sharing? The usually disconcerting time lag which intervenes before the manufacturer knows whether he has made a profit and can therefore consider wage increases is overcome by a profit sharing system.

But let's not fool ourselves: It takes time to make profit sharing work. Our profit shares have fluctuated from 11 per cent of annual wages for the fiscal year of 1940 to 39.414 per cent in 1947.

Bona fide profit sharing includes *as a prerequisite* that the worker be paid the customary rate of wages prevailing in the trade. He is entitled to that as a minimum. Profit sharing comes afterward, as an extra income, and he must risk losing it if profits are not earned. However, he has the security of knowing that increased efficiency produces additional profit and that every worker will receive a percentage of that additional profit.

American wealth comes primarily from American industry. To increase that wealth for the nation and for the world to share, we have to get right down to the people who produce the wealth—labor and management. Profit sharing has created production incentives which are fair and efficient, and which mean economic justice for both employee and employer. This is economic democracy in practice. I think we have just that at the American Velvet Company.

—CLARENCE WIMPFHEIMER (President, American Velvet Company, Stonington, Conn.). *The Textile Engineer.*

## Need Workers?

UNCLE SAM is today extending a polite invitation to employers: If you need workers, please contact the nearest government employment office. Tomorrow, though, that invitation may become an order. A scramble for workers is already under way, and Labor Department officials expect the pinch to spread as soon as new defense contracts are placed in large numbers. If the manpower problem gets critical, the Administration will seek manpower controls from Congress that will make it impossible for employers to recruit workers except through local employment service offices.

A recent Labor Department check on the manpower situation indicates a mounting demand for skilled workers in almost 50 occupations, ranging from civil engineers and welders to bricklayers and lumbermen. Demand is heaviest on the West Coast and in scattered industrial centers like Detroit, Perth Amboy, and Akron. Labor Department officials expect much of this demand can be met through the U.S.E.S.

Here's how the government aims to solve your manpower problems: Suppose you, an aircraft manufacturer with a new government contract, find you need 75 skilled tool and die workers. You first apply to the local office of the state employment service, which keeps a file of all job applicants in the vicinity. If that office can't fill your order, it will pass it on to the state employment service headquarters. If the needed workers can't be found in your state, a regional office—there are 14 of them—will take over. If the workers aren't available in your region, the Labor Department in Washington will issue a nationwide summons through all the regional, state, and local offices. You'll have to foot the bill for bringing the workers to your plant, of course, unless they're willing to pay their own way.

The Labor Department survey indicates that employers are already finding it necessary to relax their hiring standards somewhat and fill their needs by hiring older workers and workers with physical handicaps.

—PHILIP GEYELIN in *The Wall Street Journal* 8/12/50

## *Company Policy on Memberships in Professional Societies*

MODERN MANAGEMENT is conscious of the need today for its executives to participate in meetings, forums and the like, where ideas are batted around and experiences in solving technical, production, sales, marketing or human relations problems are interchanged. Most companies will agree that such participation is worth while and even necessary. But a question frequently asked is: Where shall we draw the line? What is the policy of other firms in regard to memberships for employees at company expense in various organizations?

To obtain this information, the Associated Industries of Cleveland contacted a number of representative manufacturers. Their comments, it is felt, reflect current opinion on the membership question:

*Company A:* We pay for no memberships for our employees in any organization, nor do we pay their fees for dinner meetings held by these organizations. However, if there is a meeting addressed by a worthwhile speaker, we send some of our employees to it. The employees sent depends upon the speaker and the subject.

*Company B:* We are inclined to be liberal. We pay dues for society memberships and dinner meeting fees if we consider the society or the meeting worthwhile. We also send groups to meetings of importance. The expense has not been alarming, and we will continue this policy.

*Company C:* We pay dues for employees in societies that have programs in line with their work. We also send some of our people to meetings at which subjects of interest to management are considered.

*Company D:* We pay membership dues, dinner meeting fees for our employees who in our opinion should belong to the organization or attend the meetings. However, we keep a strict watch on memberships so they will not get out of hand.

*Company E:* We leave memberships entirely to the judgment of the employee. If he has reached an executive position in management, he should be able to decide with intelligence the organizations he should join.

*Company F:* We pay expenses, but we select the employees who attend the meetings or join the societies. We make certain that the meeting or organization is worth the expense.

*Company G:* We confine membership in professional associations to the top man in each profession. In other words, the purchasing agent's expenses may be paid in a society of purchasing agents, but for no one else in his department. In regard to meetings, an employee may attend at company expense if he has permission from his department head.

*Company H:* Membership dues, dinner meeting fees, etc., must be directly applicable to an employee's job. Top management keeps expenses from getting out of hand in this way.

*Company I:* Such expenses are controlled on a budget basis. Permission to join groups and attend meetings is obtained from top management. If cost to any department is mounting too rapidly, permission is denied.

*Company J:* It is no problem for us. The company requests employees to join an organization if we think it will be beneficial to him and the company.

Generally speaking, the answer seems to be that policy is quite liberal. However, most employers consider it their prerogative to decide what meetings their executive personnel may attend and what organizations they join with the company footing the bill. Naturally, the higher up a man is on the management ladder, the more freedom he is allowed in judging for himself.

—*Informed Executive* (The Associated Industries of Cleveland)

PRELIMINARY RETURNS of the 1950 census show that there are 11,500,000 persons over 65 years of age in the population, a total greater than previous estimates anticipated. Only 45 per cent of the men and 9 per cent of the women over 65 are considered to be actively working as part of the country's total labor force, as contrasted with much higher percentages several decades ago, reports the Twentieth Century Fund.

# How Much Should Maintenance Cost?

In order to obtain a positive knowledge of maintenance costs, there must be a dependable measure that truly reflects the conditions and needs from day to day, month to month, year to year. This can be established only by measuring the work as it is done. Thus is it possible to show at all times both what is and what should be in terms of percentages, time, and money.

Many maintenance operations can be precisely scheduled and estimated in advance. The hitch comes, however, with unexpected breakdowns necessitating an indefinite amount of work. You can't measure or even estimate something when you don't know what that something is going to be; yet such estimates are common practice. That is why so many estimates of time and cost for repair work are no more than hopeful guesses, viewed accordingly by all concerned.

I recall a rather amusing—but not too surprising—experience in the roll shop of a steel mill. The roll turners and grinders were asked how much more they might do if they were paid on an incentive basis instead of straight daywork. Their answer was, "Not a thing." The same men were asked how much more production might come out of the shop if management did better planning, provided better tools and better crane service, and kept equipment in A-1 condition at all times. The answer was, "Probably 10 or 15 per cent." The superintendent of the shop was asked the same questions and his answers were just the reverse.

Actually, six months after application of direct measurment and incentive, the production per man-hour had increased 64 per cent. The net reduction in labor cost was 23.2 per cent, the additional pay was 16 per cent, and the big pile of rolls that used to be outside the shop had completely vanished. No one could tell just how much improvement was on labor's side and how much on management's, but both certainly had done much better than expected and much better than they themselves believed possible.

The practical answer to work measurement for maintenance is to record the work as it develops and to have enough basic data on fractional, elementary operations so that the values corresponding to the various elements of work can be assembled as the work is done. This procedure demands pre-established basic data covering all possibilities. That is quite a job, but one good thing about it is that maintenance methods, tools, and equipment are very similar from plant to plant, so that once a complete set of basic values —say for pipe-fitting—has been established in one plant, the same or only slightly adjusted values can be used in almost every other plant. This is true for electrical work, machine shops, carpenters, tracks, and everything else.

The process of recording the work as it is being done requires field checkers who must be familiar with that work. They inspect operations periodically, define and list the elements involved, and then select and assemble the corresponding values from their basic data. The same data are used for advance setting of cost or time standards when the work to be done is known.

In all this, it should be kept in mind that repair work is more than a question of doing a certain repair job at minimum cost. Maintenance is a service function. The idea is to try to prevent breakdowns, with their associated delays and production losses. But even with the best of preventive maintenance there will be unexpected breakdowns and delays, and it may be more important then to get things running again quickly than to do the re-

pair work as inexpensively as possible.

Here again, work measurement will fulfill the requirements and allow for the circumstances, after showing the most economical way to do the job and after totalling the time and expense involved in going to and from the shops, looking for parts, and in preparation for the work.

Now what is the cost of doing all this? The main item of administrative cost is field checking of the work, and this rises with the proportion of work of indefinite nature inherent in the operation, but in our experience the costs for carrying out both measurement and incentive run from 3 to 6 per cent of the maintenance payrolls. These are considerably higher percentages than those ordinarily experienced for production operations, but they are small when compared with the results.

—From an address by Albert Ramond, President, Albert Ramond & Associates, Inc., Chicago, Ill., before the First Plant Maintenance Conference, in Cleveland, Ohio (published in *Techniques of Plant Maintenance, 1950: Part I.* Clapp & Poliak, Inc., New York 17, N. Y.).

## Danger: Enemies from Within!

WAR IN ASIA has again presented industry with the extremely difficult task of protecting its vital facilities against the possibility of sabotage. The problem is admittedly serious, but precisely how serious it is hard to say. At worst, it may constitute the most sinister danger that confronts the nation.

In a matter of weeks, wartime plant protection has thus become a matter of crucial importance. Many key industries have already reinstated World War II security measures, and in addition are considering the need for still further protection to meet the threat of today's undefined international crisis.

Since each plant is an individual security problem, responsibility for its protection falls directly upon the shoulders of its top management. As a guide for industry, the government plans to issue a plant protection manual via local defense committees. At the moment, however, there is next to nothing in the way of official documents to help with the problem.

Security experts believe that: (a) management can prevent subversives from getting on the payroll in the first place, through the use of carefully designed job questionnaires, and (b) one of the best ways to ferret out the potential saboteur is to enlist the aid of his fellow workmen. On bulletin boards, in company publications, and in group meetings with supervisors, management can emphasize that it is the duty of every employee to report instances of suspected sabotage or subversion, even when it may appear of minor consequence.

Several civil defense plans have been submitted to President Truman in the past few years, none of which were accepted. However, an interim manual on civil defense released recently by the National Security Resources Board incorporates some information on plant protection.*

The objective of plant protection, as defined by the Hopley Report, drawn up by the Office of Civil Defense when James Forrestal was Defense Secretary, is "to secure all facilities against any enemy action, against the acts of enemy sympathizers, sabotage, accidental disasters caused by war conditions, and natural disasters the effect of which is aggravated in wartime by the lack or displacement of the personnel of peacetime protective agencies."

Protection, the report stresses, must extend as far as possible—from raw materials, through transportation, manufac-

* *United States Civil Defense.* Prepared by the National Security Resources Board, Washington: 1950. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 25 cents.

turing, assembly points, and ultimate delivery to the Armed Forces or wherever needed.

Under the Hopley Plan, each plant would have a "defense coordinator," who would maintain liaison with civil authorities and also be responsible for leadership in plant protection. Emergency plant protection programs, the report suggests, should not replace any phase of the routine plant protection work, which may even have to be increased to meet wartime conditions.

The defense coordinator, with his staff, would train various plant personnel in fire fighting, first aid, radiological defense, rescue, evacuation, and emergency communications. This top security man would have a protected room from which he could maintain outside telephone and radio communications with the local defense center.

Government officials consider the security and defense job of any future war to be far greater than in the last war for two obvious reasons—the dangerous army of Communists already organized in this country, and the destructive potential of an A-bomb or H-bomb attack. Many specialists believe therefore, that the time to broaden plant protection plans is not after we have become embroiled in global war, but now.

—BETTY SAVESKY. *Commerce Magazine,* September, 1950, p. 13:4.

## How to Operate a Safety Program

UNTIL top management understands that safety begins at the top, there can be no successful safety program.

The safety director is the representative of the will of management. He has a staff function. But if the ultimate responsibility for safety rests with him rather than with the foreman, a conflict of purpose will develop that may wreck the program.

The first step in a sound safety program is to decide on the basic organization and establish lines of authority. An analysis of accident records for the preceding two years should be made to determine the most serious problems. There should then be a meeting of operating executives, to inform them of the new program, to emphasize the backing management is giving it, and to give them an opportunity to meet the safety director.

Foremen should prepare reports describing conditions in their departments and listing danger points. The safety director should help in the preparation of these reports, making a complete plant inspection. From these reports a program of mechanical guarding is developed. Many of the proposals can be carried out by individual foremen. This part of the program will eliminate many hazards. It will also impress workers with the sincerity of management, which is essential to later phases of the plan.

First-aid facilities must be provided, suitable to the needs of the plant. All accidents should be investigated and cumulative records kept, showing date, department, nature of injury, cause analysis, and days lost. It is important that such records not be limited to serious accidents, as the difference between a minor accident and a fatality is often mere chance.

Selection of suitable safety equipment is a technical problem. Of equal importance is the problem of getting workers to wear safety equipment consistently. Usually protective clothing required for hazardous work is furnished to the worker and there is not much difficulty in getting him to wear it. This is unfortunately not the case with safety shoes and safety glasses, although most industrial accidents involve injury to eyes, hands, legs and feet.

If attractive safety shoes are made available at a cost to the worker less than conventional shoes, it is a strong inducement to protect the feet without having to be concerned about after-hours appearance of the shoes. The rest is a matter of education.

Safety glasses should be specified over the more uncomfortable "goggles" wherever it is safe to do so. If goggles are restricted to the hazards that demand them, there is

a better chance that they will be worn. Men who need eyeglasses to see properly should have prescription-ground safety glasses unless the job requires goggles. Equal care should be devoted to fitting glasses for workers who do not require prescription glasses. These are the people who will be difficult to train to wear glasses consistently, and so good fit is essential. The most successful firms generally have definite regulations about wearing safety glasses, with stated penalties for violation.

Continuous education should accompany any regulations and may be successful without them. Posters, contests, department competitions and other means can be helpful, but the personal contact between foreman or safety director and workers is most effective. The basic aim of the safety program is first to make the plant a safe place to work and then to teach the men to work safely. The second part of the job is the hardest—it involves instilling and maintaining a safety consciousness on the part of the workers. Personal contact and evidence of sustained interest on the part of top management will accomplish this.

—ANDERSON ASHBURN in *American Machinist*

## You Can Rent It for Less

A MACHINE TOOL RENTAL PLAN financed by an old-time commercial bank is a milestone in the machine tool replacement problem. Stymied by lack of tax credit for accelerated depreciation, many companies today operate obsolete tools. A plan developed by Rentco, Inc., Philadelphia, permits deducting the cost of *new* machinery as an expense *before taxes*. In many cases, it costs less to rent than to buy. Girard Trust Co., Philadelphia, is financing the Rentco leasing program on selected risks, using the endorsement of Rentco, Inc., and the lease as security.

The Rentco lease provides for delivery of new equipment to the user for a normal term of five years. Annual rental rates are graduated downward over the normal term of the lease. Rentals are lower in the last few years of the lease, when the outlook for stable business conditions is least predictable. Thus the manufacturer contemplating lease of new equipment is in a good position to estimate operational savings with it during the first few years of the lease. The normal five-year term of the Rentco lease is predicated on use up to 2,000 hours per year (50 40-hour weeks).

Manufacturers using this lease plan should be in a better position for renegotiation. Annual rental rates are higher than allowable annual depreciation, resulting in a higher renegotiated profit figure.

The establishment of the Rentco plan is not expected to affect customary relationships between machinery builders and their distributors. Rentco expects to offer the facilities of its plan to distributors and manufacturers generally on a fee basis.

—JOHN ANTHONY in *The Iron Age* 8/31/50

## Survey on Productivity and Labor Relations

MILL & FACTORY recently surveyed all types and sizes of manufacturing companies to determine if labor productivity in the United States is increasing, remaining the same, or decreasing. Here are the principal findings of the study:

1. Present productivity (output per man-hour) of their labor force is about the same as one year ago, a majority, or 54 per cent, of the respondents reply. A higher productivity rate is reported by 37 per cent of those replying.
2. Productivity is lower now than in the prewar period, 36 per cent of the respondents state; while 35 per cent believe it to be about the same now as prewar.
3. Relations between management and labor in their companies are about the same now as in the prewar period, according to 51 per cent of those answering the survey. Another 32 per cent believe such relations are better now.
4. Foremen now consider themselves more a part of management than they did prewar, 74 per cent of the respondents state.

## Accidents Off the Job

NOTHING IN THE WORLD is more democratic than an off-the-job accident. An industrialists's highest-priced technical man—or the industrialist himself—can just as readily be picked off by a hit-and-run driver at the corner of Main and Elm as can the fellow who washes the delivery trucks. The tetanus bug likes a nice fat executive as well as he likes a farmer, which is pretty well.

Twice as many employed persons are killed away from work as are killed on the job—that's the way it stacks up. Those figures are not arrived at by sleight-of-hand. To get the story of accidents off the job, all you need are the total of non-industrial accidents and the percentage of employed persons. These well-established figures show that we have built a dam only part way across the river. We set up elaborate programs to stop in-plant accidents and write off the other kind as an expense of doing business.

But when each year 45,000 productively employed people are killed and about 150,000 others are permanently disabled to some degree, you can't take care of them by just passing the hat. Every employer owns a chunk of that liability, for exactly the same reasons that he owns a chunk of the battleship *Missouri*.

We don't try to handle the job, perhaps, because we confuse the nature of the problem. Stopping off-the-job accidents is not like building a finished piece of equipment, which is no good if it is not finished 100 per cent. On the contrary, off-the-job safety is one of our stockpiles of human decency—like good health, sound diet and adequate medical care. They are all the product of joint effort, and every effort, however small, counts.

The toughest part of the off-the-job accident problem is persuading somebody to do something about preventing them. Would it not be a step in the right direction, for instance, to include in a company's plant safety program, possibly as illustrations, unsafe practices in the home as typical of the unsafe practices in industry? And certainly an understanding of city traffic regulations is good for both pedestrian and vehicular traffic in an industrial plant.

Some supervisors regularly schedule the off-the-job program into department safety meetings, not as incidentals, but as the main dish now and then. Accurate records are kept of absenteeism caused by any accidents, with full notation on causes and possible prevention.

Many industries get behind their community safety programs, too. They join with the local Safety Council, the Scout groups, women's clubs, police and fire departments, Chamber of Commerce and other organizations to create interest in safety.

No supervisor can afford to forget that the habits and conditions which prevent accidents—both in the plant and off the job—are all of a piece. He can't increase safety-consciousness in the plant without increasing it also off the job. Ways and means of combating accidents are as numerous as there are people to think them up. All the standard devices are usable, including a great many, of course, which a supervisor can't use for in-plant purposes. Nevertheless, a plant without an off-the-job safety program lacks one from choice, not from necessity.

—KENT W. FRANCIS in *Industrial Supervisor.*

THE RECENT CENSUS OF MANUFACTURERS disclosed that 72 per cent of all industrial buildings in the United States are over 25 years old, and of these more than half are between 35 and 45 years old, with another quarter over 45 years old.

—LEO J. PANTAS in an address at the 5th annual meeting and exposition of the Society of Industrial Packaging and Materials Handling Engineers.

## *Caterpillar Cuts Indirect Labor Costs*

THE CATERPILLAR Tractor Company considers indirect labor a most fertile field for labor savings. In management's opinion, there are two reasons why indirect operations have been the last to yield savings in labor costs. First, they are more difficult to measure and account for; second, they are not generally considered a real part of the cost of the end product.

This is how they keep track at Caterpillar: Each indirect labor foreman is given a performance report each day for the preceding day's work as performed in his line or in his area. This report gives him the performance of his direct labor and the number of hours of indirect labor performed as well as the ratio to direct labor output. These daily performance sheets are summarized weekly and given to all the superintendents so that they may follow, by section, what is happening to both the direct and indirect labor for which they are responsible.

Next, controllable cost reports covering manufacturing activities are issued once a month. These reports are broken down to the superintendent level, providing a monthly summary of the direct labor activities and itemizing the indirect labor and expense by accounts. They relate indirect labor and expense to the direct labor output at standard.

Knowledge of the conditions which account for fluctuations in the ratio of indirect to direct, and ability to recognize progress in the right direction over an extended period of time have helped the company to realize savings on indirect labor. Executives realize that when bottlenecks develop in indirect functions it's too easy to hire additional people, overlooking completely the possibilities of new equipment, change of methods, or a full day's work from those doing the job. At Caterpillar, all management, from top to bottom, is developing a questioning attitude regarding the need for the indirect work being performed.

—From an address by Charles A. Woodley before the Fifth Annual Time Study and Methods Conference sponsored by the Society for the Advancement of Management and the American Society of Mechanical Engineers.

## *Is Industry Prepared for War Production?—The Purchasing Agent's Views*

TODAY there is the possibility that the United States may soon be facing either World War III, or a long and costly series of military engagements in various parts of the world. In either event, American industry may be called upon with relative suddenness to start producing in much greater abundance than now the supplies necessary to the success of our arms. Is industry prepared to meet the demands if they come, and will it meet them in time? Purchasing agents, whose vital role in the economy would become even more significant during a full-scale war, were surveyed recently by *Purchasing* on their estimates of our readiness to confront new dangers properly equipped for victory. Here are some of the findings:

Seventy-two per cent of the purchasing agents thought it likely that their plant would be converted to military production in the event of a prolonged war; 28 per cent believed it unlikely. Over half, 63 per cent, had no blueprint for conversion to military production.

To the query, "How long would it take your company to convert to military production?", 52 per cent of the respondents said "no conversion necessary;" 19 per cent said "immediately;" 10 per cent, "one month;" and 5 per cent, "six months or more."

Fifty-six per cent of the respondents anticipate manpower shortages in the event their industry converts to military production; 44 per cent answered "No" to this question.

—*Purchasing* 9/50

RHEUMATIC DISEASES cost American industry approximately 97,200,000 workdays yearly, reports the Arthritis and Rheumatism Foundation.

# Preparing for Price Control

With price controls possibly in the offing and a sellers' market developing, a management review now of current sales policies seems to be in order. Here are several recommendations to enable you to insure that your pricing is geared to current conditions and won't subject you to undue hardship under controls:

*Review your prices against current replacement costs.* Averaging of high and low cost inventories in computing current selling prices is risky when prices are advancing on a broad front. Even if there's no price control, you may be selling yourself out of business if your current quotations don't reflect at least a major portion of the increases already existing in your replacement costs.

Pay particular attention to "sleepers"—items which are slow-moving and carried largely for the convenience of your regular customers. Many of these carry an inadequate profit margin. Under usual government practice, you may find it hard to get a ceiling raised even if you're suffering an outright loss on these odd items, as long as your over-all profit position is satisfactory. Review your prices on an item-by-item basis and make whatever adjustments are individually indicated.

*Give special attention to markup on each individual item.* Under one of OPA's most widely used pricing methods, any comparable new item may have to be priced according to the markup on similar items you currently handle.

*Watch out for temporary price cuts.* Unless you take every precaution, you may get stuck with discounts, promotional offers, package deals, or other temporary devices. You can protect yourself against the danger of oppressive ceilings by clearly labeling any current concessions as temporary and setting a definite expiration date. Don't count on Fair Trade laws or other state rules to bail you out if you get caught with below-normal ceilings. OPA ruled firmly that such state laws must given ground wherever they conflict with federal price rules. Relief, if any, can be obtained only through costly and time-consuming applications to Washington.

*Review your policy on quantity and package prices.* Even if your base price seems to be all right, you may run into unexpected difficulties if you customarily offered different prices for quantity buying. The same is true where you sold the same product under more than one brand name. Example: A retailer who sells a 10-cent item at 3 for 25 cents would be required to continue the 25-cent offer. A manufacturer who sells his national brand to the general trade for $12, and delivers the same item unbranded or with a private label to certain customers for $10, would be frozen with these two prices—and would be limited to the $10 ceiling for any new brand he might subsequently bring out (on the ground that the new brand would have no advertising history, trade usage, or public acceptance to justify the higher price).

*Watch your policy on freight charges.* Any initial price freeze will almost certainly compel you to continue your policy on transportation costs. Any freight allowances you may now be granting to more distant customers will automatically be required under price ceilings. They would also compel you to continue any free loading, hauling, or other services you now furnish.

*Review your discount practices with an eye on both OPA and FTC.* You will be bound by any allowances you now grant on quantity purchases. To protect yourself against any possible challenge by the FTC, make sure that all quantity dis-

counts are directly related to the cost savings made possible on the larger orders. To safeguard your own profit margin and to justify any price differences, your records should have a clear statement of your quantity limits and discounts.

*Review policy on free service, maintenance, or other promotional inducements.* Despite the fact that a really intensive war effort would make Washington look favorably on any measures to cut down on materials and manpower, you may have a tough time getting out from under obligations you now assume.

—From *Adjusting to Mobilization, 1950.* Research Institute of America, Inc., 292 Madison Ave., New York 17, N. Y. 48 pages.

## Recent Trends in Salesman Compensation

SALESMEN'S EARNINGS are badly out of line. Standards of compensation and performance established prior to the depression which began in 1930 have long since become obsolete. Less than 5 per cent of the 195 companies collaborating in a recent Dartnell study of sales compensation stated that they were satisfied with their present method of paying salesmen or felt it was right.

A check of more than 100 company plans submitted for study revealed that most of them, like Topsy, "just grew." Whereas in a 1940 study, about 40 per cent of the reporting companies paid their salesmen a straight commission, the current survey indicates that only 13 per cent of those companies are doing so, while 15 per cent pay a straight salary. The remaining 72 per cent pay some sort of incentive—in the form of a bonus, share of the profits, extra commission, etc. (See Table 1.) This trend can be expected to continue.

The first step in revamping an old compensation plan or instituting a new one is to set down exactly what the plan is supposed to do. Generally speaking, a sales compensation plan usually seeks to accomplish some or all of the following:

1. To provide a stepped-up work incentive.
2. To cut down the turnover of salesmen and supervisors.
3. To get salesmen to sell the better grades.
4. To encourage salesmen to sell the full line.
5. To get salesmen to open up new accounts.
6. To get salesmen to make more calls,
7. To use their time to better advantage,
8. To cover their territory more thoroughly,
9. To pay more attention to credit,
10. To apply ideas suggested by the main office,
11. To make more call-backs on old customers,
12. To establish new markets.

Among the 195 companies checked in

TABLE 1.
SALESMEN COMPENSATION TRENDS IN OVER 100 COMPANIES

| *Type of Compensation* | 1946 (*per cent*) | 1948 (*per cent*) | 1949 (*per cent*) |
|---|---|---|---|
| Salary | 23 | 19 | 15 |
| Salary & Commission | 26 | 10 | 21 |
| Salary & Bonus | 27 | 30 | 21 |
| Straight Commission | 18 | 13 | 13 |
| Commission & Drawing Account | — | 15 | 14 |
| Salary, Bonus & Commission | — | 4 | 5 |
| Other Types | 6 | 9 | 11 |
| Total | 100 | 100 | 100 |

this study, the straight salary plan is favored when high importance is attached to servicing established accounts. The theory is that salesmen will not spend the time they should with established customers when they must depend upon immediate business for sales credit.

The straight commission plan finds support among sales managers of companies whose products are widely sold, where immediate volume is more important than building customers.

Salary and bonus plans are most commonly found in sales operations where territorial profits can be determined or where reliable sales quotas can be established.

Regardless of the type of compensation plan preferred, however, there is general agreement that to be really effective a compensation plan should pay the salesman off in four kinds of money:

1. *Housekeeping Money.* An assured income just large enough to enable him to pay his rent, buy food for his family, and take care of his monthly bills.
2. *Incentive Money.* An amount over and above his base salary which will enable him to satisfy the wants which he cannot satisfy on his base pay alone. This money is tied to his production.
3. *Security Money.* Deferred compensation, such as insurance annuities (not immediately taxable), hospitalization insurance, or a profit-sharing pension plan to take care of him in his old age.
4. *Loyalty Money.* Compensation for his years of service and what he contributes to the growth of the business "over and above the call of duty"—perhaps a seniority bonus at Christmas, or extra vacation when he has completed a certain number of service years.

To these should be added:

5. *"Push Money."* The salesman receives something for accomplishing specific sales objectives assigned to him from time to time. The "push money" may be in the form of merchandise prizes or company-paid vacations. It ought to be something which can be enjoyed by the wife or other members of the family.

Some reporting companies found, when prices began to zoom after the war, that in short supply lines, commission salesmen made a lot of easy money. They worked only as the spirit moved them, which was not too often. One method of providing a cushion against price inflation in such situations is to pay a small commission on volume but let the bulk of a man's earnings come out of profits.

Quotas must be applied with care. There are cases where quotas have been used as whipping posts, with disastrous results to the business. This is especially true of those based on theoretical "territory potentials." Salesmen are too often given goals which they cannot possibly hope to reach. They lose heart and don't care what happens. Consequently, there is a trend away from any quota plan that is not geared to the salesman's ability to exceed it.

Another development is the so-called budget plan. There are many variations, but in brief it consists of taking the total of the acceptable contracts closed by a salesman during the first three months of his employment, and dividing it by three. To this is added the total sales for the last month of the three-month period, and dividing that total by two. This is done to give added weight to the last month's sales of the period. The result is used as a "budget" for his weekly compensation during the ensuing month, and is adjusted every month. This plan assures the salesmen of a regular weekly pay check based on past performance rather than on anticipated sales, and there are no dead horses to pay for.

During the past year there has been considerable experimentation with so-called merit-rating plans, which compensate a salesman more nearly on the basis of earned profits on sales. They are usually set up so that the more a salesman sells, the higher his rate of earnings will be. Heretofore, the theory has been that a salesman should be paid no more, if as much, for plus business than for his below-quota volume. There is danger, however, in a compensation plan which gives a man so much extra money that he feels he has "arrived."

Either or both of these latter methods leave something to be desired. If a man's work is measured by sales volume alone, he is bound to neglect opportunities for building up a territory. If he has to use high-pressure tactics to get a name on the

dotted line, he will do it. It may kick back on the company and on himself later, but he will get his order when orders are all that matter with his boss.

A compensation plan which has attracted national attention and has worked out well for one company, producing an increase in sales volume without unbalanced sales earnings, is based on three factors:

1. The difficulty of the individual job
2. The quantity of the job done
3. The quality of the job done.

The rating is based on 130 statements which reflect how well each man is doing these three things, taken from the records when possible and depending upon the judgment of various executives when actual figures are not available. The compensation of the man is a total of the scores on all three points:

1. The quality of the job, which is measured, represents a percentage of perfection in dollars.
2. The difficulty of the job, which gives a man a handicap of a certain number of dollars if he has a poor territory and leaves the man with a good territory at scratch.
3. The quantity of the job, which is the relation of gross profit on sales to the total income of the salesman.

—From *Incentive Compensation for Salesmen,* Part II of Dartnell Report No. 584, The Dartnell Corporation, Chicago.

## *What Do Advertising Managers Think of Their Jobs?*

ADVERTISING MANAGERS guide the expenditure of $5 billion annually. Just what do they think of their jobs? More than 100 advertising managers answered for themselves in a recent survey among well-established companies in 31 states.

While the great majority of respondents felt that the advertising manager's experience was given sufficient weight in most advertising matters, 23 per cent felt left out in determining the size of the appropriation and 26 per cent felt they had too little say in reducing or increasing the appropriation. It is still all too common to slash the advertising budget when extra money is needed. When sales are high, the advertising is often trimmed because management feels it is not needed; and when sales are low, the advertising is reduced though this is the time when it should be increased.

There is some pressure on the advertising manager to lower costs of advertising by acting as a purchasing agent for art work, preparation, plates and the like, rather than to see that advertising materials are of the kind that will do the best job—with 43 per cent reporting such pressure occasionally and 12 per cent frequently. However, another 43 per cent never experience such pressure and 2 per cent seldom do.

An overwhelming majority—94 per cent—of the respondents say that the advertising agency contact is chiefly with the advertising manager. Only a negligible number feel that the agency by-passes them in favor of direct contact with top management.

On the question of authority to give final approval to advertising copy submitted by the agency, 13 per cent of those queried complained they had none, while the rest either had complete authority or were required to check with others only for technical accuracy.

In 59 per cent of the cases, the advertising manager works directly under top management; moreover, 75 per cent of the entire group surveyed feel that they have adequate contact with the president of the company. Nevertheless, fully 63 per cent feel that the advertising is frequently weakened by the whims of people who know little about it.

When asked in what way they felt the advertising manager could be of more service to his company, 56 per cent made no suggestions, but those replying had a number of ideas: 14 per cent wanted a bigger staff, 20 per cent wanted to do more field work, 23 per cent wanted more responsibility and authority, 16 per cent wanted more cooperation from the sales department, while 7 per cent wanted to handle public relations as well as advertising and 5 per cent wanted to add publicity to their advertising work.

—WALTER SAILER in *Printers' Ink* 1/13/50

## Pointers on Building Sales-Mindedness

TEAMWORK TO BUILD SALES is fundamentally a state of mind. No gimmick will produce teamwork without the will for teamwork in all ranks of management. But, given the will to work together for sales, many methods can be used to make teamwork easier. Here are several basic techniques that are working successfully:

1. Have technical men from customers' plants talk to your engineers, production men. Brings home salesmen's problems, often produces suggestions for more salable products.

2. Have sales management address other management groups periodically on sales, market conditions. Keeps production team aware of company's main job—to sell; checks one-track thinking.

3. Bring sales representatives into plant for refresher courses, put them on production job where they will exchange viewpoints with supervisors and production workers.

4. Convince non-sales force of importance of salesman's job by analyzing for them a salesman's job, showing what's needed to back him up; what part advertising plays in moving products.

5. Set up planning group to include as broad a representation as possible; don't limit it to small top unit; meet frequently to compare results with expectations, and to adjust goals to new circumstances. Compels consideration of narrow departmental problems in light of broad company needs, which rest on sales.

6. Use manufacturing executives in sales-training courses, especially in brush-up courses for experienced salesman. Manufacturing men may learn from as well as teach men in the field.

7. Make some sales training a part of every program of supervisory training. Like a soldier, a supervisor should know what he's fighting for, as well as how to fight.

8. Get design engineers and production men together with salesmen to see if some feature is holding back full sales of a product. Product change may be indicated for better pricing, more appeal, or greater serviceability.

9. Distribute sales reports widely among key executives, not only to those directly concerned.

10. Send manufacturing representatives to all conventions of salesmen, wholesale personnel, distributors. They need not speak, need only keep their ears open to pick up pointers to more sales.

11. Hold "prestige" meetings for supervisory personnel at which top advertising and sales people explain, talk up the customer's place in company and job pictures.

12. Long-range, put all executive trainees through sales department. Gives them sales slant at most impressionable period in career.

—*Modern Industry,* August 15, 1950, p. 41:3.

## No Change in Selling

SO FAR the war in Asia has left advertising budgets, sales forces, and selling plans almost untouched. That's what *Business Week* learned in a recent cross-country survey of advertisers.

At the moment, most advertising men feel cautiously optimistic about the future. But they are waiting for the other shoe to drop. When it does, they will be able to judge their future plans. To hedge against the future, some advertising managers have worked up alternative schedules to use in case of all-out mobilization.

Most of the advice they are getting en-

courages them in their present course. *Printer's Ink,* for example, offers in a recent issue a list of 30 reasons why you should keep on advertising even though you can see an easy market for all your output. Trade papers are filled with horrible examples of what happened in the past two wars when advertisers stopped advertising.

From both major and minor advertisers, the story is almost universally the same. Few see any reason to cut budgets. This is even true of the appliance manufacturers; they're sticking to their advertising guns even though they are already oversold and on allocations.

There are straws in the wind, though, to indicate that advertisers may change the way they arrive at their budgets, if not the size of them. One West Coast food packer reports that he is keeping his advertising position as fluid as possible by shortening his commitments. He is limiting his forward planning to two months, reviewing his plans monthly. He is afraid of (1) continued rising prices at retail, and (2) the possibility of the government's stepping in and grabbing his whole pack.

Advertisers have been juggling some with media, but so far no really clear trend has shown up.

The barometer to watch is cooperative newspaper advertising—the ads placed jointly by appliance dealers and manufacturers. These became an early victim in the appliance shortages following Korea. Some newspapers reported that cooperative appliance ads virtually disappeared.

The situation is still cloudy. But it is possible that appliances may still require selling, which explains why General Electric and other companies are anxious to keep their cooperative advertising plans going. If many cooperative ads reappear, it will be a fairly accurate tipoff to the whole sales climate.

Guessing the future would be a tough job. Even for a short-range view, most observers are waiting to see what the first quarter of next year will bring. They point out that what's happened so far doesn't indicate much of anything, since present advertising campaigns were laid months ago. That's particularly true of national magazine campaigns, for which the printing plates alone are made up weeks ahead.

Opinion varies widely on individual prospects. Some companies figure that no matter what happens they will be able to go ahead on institutional advertising under a full head of steam. Others say that further shortages of supplies and allocations will force them to start whacking down ad budgets.

—*Business Week,* September 23, 1950, p. 52:3.

## Packaging

# War and Packaging: Where Do We Stand?

WHAT DEFINITE IMPLICATIONS for packaging planners emerge from the present uncertain world situation?

To begin with, Washington opinion on the civilian packaging outlook is brighter than is found in industry itself. Admitting the difficulties posed by the current period of uncertainties, some government sources predict that after about six months of juggling allocations of materials—if actual warfare does not spread beyond Korea and if no more than 2,000,000 to 3,000,000 troops are to be supported—the home-front economy may straighten up on an even keel and sail through with very little damage.

In packaging there are certain obvious bright spots, such as the greatly expanded capacity of the glass industry to supply substitutes for metal containers. The paper and paperboard mills, too, have been enormously expanded, and though that industry currently is reported as operating in excess of rated capacity, it was only a year ago that it was coasting at 80 to 84 per cent and worrying about its markets. Indications are that paper inventories are rather high.

Steel is the basic material of war; steel is the industry that has expanded in the last five years least of all major American industries—therefore, it is as certain as anything can be that steel and tinplate will be among the first packaging materials affected by allocations or military set-asides.

Dark spots are evident in polyethylene (which has become very important in the military picture since the last war), other plastic films and cellophane. Due to its rapid growth in packaging, polyethylene resin had become short before Korea, and now military demands are certain to be substantial. Many plastics and synthetics face the danger of shortage of certain chemical ingredients needed in war. In the case of cellophane, which has relatively small military application, a severe shortage already existed and now the prospects for increased production facilities are dimmer.

There is no clear picture on aluminum. News reports have mentioned it among the earliest scarce materials, but those close to the packaging picture see no immediate threat unless electric power supply is curtailed. In view of the increase of primary aluminum production from 206.3 thousand short tons in 1940 to a tremendous 603.5 thousand short tons in 1949—and the even higher figure of 625 indicated for 1950—an optimistic view would seem in order. With the bringing in of the Kaiser aluminum plant in California a year ago, primary producers increased from two to three.

Our situation in timber supplies should be studied if only because it was more dangerous than most people realized in the last war. According to one authority, 50 per cent of our timber harvest was going into packaging (either as box lumber or pulpwood) on V-J Day, and if the war had continued another year there wouldn't have been enough timber to keep our Armed Forces going. This was due not so much to the lack of timber resources as to a shortsighted draft policy which took too much manpower out of the forests. Box lumber, in addition, was limited by a shortage of kiln capacity. The Department of Defense estimates forseeable requirements of lumber, between now and June 30, 1951, will not exceed 1,500,000,000 board feet.

Glass is the bright hope of those packagers who may be forced out of metals and plastics. Glass-container facilities were so enormously expanded during and after the war that it appeared for a time that they had outstripped demand. From a production of just over 50 million gross in 1939, the industry rose to 105 million gross in 1945 and to 115 million gross in 1946 and 1947. However, packaging consumed well under 100 million gross in both 1948 and 1949, and although the 1950 rate so far is higher, there is still a comfortable margin to work on. Present capacity is estimated at 140 million gross.

While the situation is slowly working itself out, what can packagers do to help themselves?

Certainly a first step would be an examination of current packaging to eliminate any extravagant and purposeless use of material.

It would avert a great deal of confusion if can users would, where feasible, begin to use a few glass containers to acquaint themselves with the problems and the necessary conversions.

Finally, packagers and suppliers, in their contacts with Washington, can encourage a more efficient application of packaging to military items.

—*Modern Packaging*, September, 1950, p. 98:7.

## The Controller and Collective Bargaining

MANAGEMENT must have more specific information on labor costs, living costs, and other pertinent factors in order to counter "fifth-round" union demands, and this information must be presented at the bargaining table in clearly understandable form. Moreover, today important gaps exist in company records which leave negotiators vulnerable to surprise attacks. This situation, according to a recent study issued by the Controllers Institute, can be corrected only through year-round cooperation between each company's controller and its industrial relations staff.*

How to attain and implement such teamwork is brought out in the study, which was conducted for the Institute by the New York State School of Industrial and Labor Relations at Cornell University. The findings are based on an analysis of the methods used by 41 selected companies comprising a wide cross-section of industry, having an aggregate of over 1,000,000 employees, represented by 75 international unions.

Vital gaps in specific company records were detected by the researchers, such as breakdowns in sickness figures, turnover by various groups, costs of absenteeism and work stoppages, distribution of employees by age, and the like. Most of the companies had found their records inadequate to furnish the information needed on pensions, and they conceded that they would be in a similar position if required to bargain on a guaranteed annual wage.

The controller should know the type of information the negotiator needs, and the negotiator should know what information the controller can furnish. In the companies studied, teamwork resulted from both a proper formal organization and a healthy informal relationship between the controller and the negotiator.

A large number of basic records were found to be essential in preparing for and carrying on negotiations, arbitration cases, and fact-finding presentations. To illustrate the kind of forward planning required for effective bargaining on specific issues, it was found that in the "best" situations studied, approximately 100 questions required answer before actuarial computations were made on pensions.

Effective bargaining seems to require speedy and accurate measurement of the costs of proposed contract changes. Companies should rely on the controller's specialized knowledge for this information.

Anticipating the issues likely to be involved ssemed to be half the battle in preparing facts and figures to facilitate bargaining. First, the negotiator had more confidence when backed by statistical data in convenient form, such as the "fact books" used by several companies. Second, the union was often discernibly influenced. Third, negotiations were frequently shortened.

Waiting until demands were received from unions often resulted in inadequate preparation for negotiations. It should be emphasized that the collecting and analyzing of facts and figures is a continuous responsibility and not an emergency operation performed just before or during negotiations.

Consistency of interpretation is essential in obtaining union acceptance of company facts and figures. When a management communicates with stockholders, prospective investors, or customers, it

* *Providing Facts and Figures for Collective Bargaining.* By Earl Brooks, N. Arnold Tolles, and Richard F. Dean. Controllership Foundation, Inc., 1 East 42nd Street, New York 17, N. Y. 86 pages. $5.00.

naturally desires to place operations in an optimistic light. In several cases, such optimistic statements were brought to the bargaining table by union representatives in a way that created embarrassment for the company negotiator. In other cases, companies which had formerly stressed inability to pay found themselves embarrassed in subsequent years by their increase in net revenues. In consequence, many controllers now have responsibility for seeing that the figures used in bargaining are as immune as possible from misinterpretation.

## Plow the Profits Back

THE liberal economists say business today is salting away too much profit for a rainy day. This, they say, pulls money out of the spending stream, means fewer orders for goods, less production, fewer jobs—the start of a downward business spiral.

How valid is this argument? Let's look first at the size of profits. In 1940, business profits after taxes were 8 per cent of national income; 1941, 9 per cent; last year, 8 per cent again; so far this year, 8½ per cent. So they're not out of line compared with other periods of prosperity.

Now, how are these profits being distributed? Business today is hanging onto a larger percentage of profits than prewar. In 1929, 69 per cent of profits went to dividends, while 31 per cent was kept. In prewar 1939, 76 per cent went to dividends, and business kept 24 per cent. But business now is paying out only half its profits in dividends and retaining the other half. This big chunk of money, however, is not all being salted away or converted into what the liberal economists call "idle money."

In 1940, business was spending only 60 per cent of available funds for new plant and equipment, while 40 per cent went into working capital. During the war, because of shortages and restrictions, more profits were retained. But after the war there was a boom in construction and purchase of equipment. In 1947, business used 77 per cent of available funds for these purposes; in 1948, 80 per cent; and in 1949, 85 per cent. Thus business is not salting away huge reserves of "idle money."

It is true, however, that the boom in business spending for new plant and equipment dipped early this year—from 1949's $18.1 billion to $14.8 billion. And undistributed profits appear to be rising slightly (1949, $9.0 billion; 1950, $10.7 billion, based on figures for the first quarter of 1950).

If profits stay high, business easily could begin to pile up huge reserves. It's too early to tell whether such a trend is starting, but on the basis of available information, it might start. But, would such a trend be good or bad?

The Committee for Economic Development recently pointed out that the only way to increase real wages—the only basic prop for continuing prosperity—is to increase productivity, or the amount a man is able to produce in an hour. "The large increase in production necessary to make possible a substantial rise in real wages," says the CED, "will have to be brought about in the main by the use of: (1) better methods; (2) more capital; (3) better training of workers; and (4) better management."

The first two requirements—better methods and more capital—are fundamental and closely related. Better methods usually call for modernizing and replacing equipment and building new plants; and this takes capital. Business used to be able to get wealthy people to invest in stocks, and thus provide needed capital. But today, due to higher taxes, business can't count on getting back a great deal of dividend money.

What does this mean? If business is to improve its machinery and factories, increase productivity, and thereby raise real wages and provide the big prop for prosperity, business itself must plow its profits back. Cash reserves are nice to have in a depression. And every business must have some. But if business as a whole will continue to plow its profits back, the chances are a lot better that there will be no depressions.

—*Changing Times: The Kiplinger Magazine,* September, 1950, p. 33:4.

## Research Helps Develop Successful Stockholder Relations Campaign

SUCCESSFUL in its employer-employee collective bargaining—no strikes in 12 years—Lockheed Aircraft Corporation is now improving relations with its other internal public—the stockholders.

The first step in the campaign aimed at the company's owners was to mail a questionnaire to the stockholders, asking: where they live, what they do for a living, how much of their total income is derived from investments, how many shares of Lockheed stock each owns, and whether they consider it a long-term or short-term investment. Lockheed employees among the stockholders were asked to indicate they were employees. Personal opinions were sought on the company, its operations, officers and policies and on whether the then-infrequent reports to stockholders were sufficient and well done.

In reply to the survey, besides the valuable detailed information received about the respondents themselves, the comments volunteered on 25 per cent of the questionnaires proved useful in building the stockholder public relations structure.

The survey brought to light weak points in stockholder relations that management through a properly applied and continuing program is now beginning to improve. Only 2 per cent of the respondents said they got information about the company from company reports. More than half relied on brokers, financial services, and publications. But there was a high readership of the annual report, which meant that not enough material was going to stockholders in addition to the required corporate fiscal reports.

As a result of the survey, the corporation now will issue only one annual report in easy-to-read style for both stockholders and employees, instead of having a special employee version.

In the new stockholder relations program begun last year, a series of dividend enclosures in newsletter style takes the place of the former curt messages. These mailings cover a variety of subjects of interest to stockholders—a new Air Force fighter plane Lockheed is building, the company's idea on profits, a year-end financial summary with appropriate Christmas art and a season's greetings message.

The survey results have been passed on to the employees in a special article in an employee publication, the *Lockheed Story,* illustrated with portraits of typical stockholders and humorous cartoons. A reprint of this article was sent to stockholders. Letters and comments from stockholders approved the story. Several employees asked how they might acquire stock in the company and a follow-up article gave them the details. So long as the public seems reluctant to buy corporate stocks, any move by management along lines like this should prove worth while both to the company doing it and to the stock ownership system of capitalizing American business.

—LOUIS F. THOMANN in *Printers' Ink* 5/12/50

THE PURCHASING VALUE of the consumer's dollar has dropped almost 40 cents in little over a decade, according to a recent analysis by the Conference Board. "With the January, 1939, dollar equal to 100 cents," says the Board, "the purchasing power had decreased to 60.7 cents by August, 1950."

# Distribution Cost Analysis Points the Way to More Profitable Business

**ARTHUR H. SMITH, Assistant Comptroller**
**General Mills, Inc., Minneapolis, Minn.**

WHEN the cost accountant moves into the field of distribution, he is faced with the challenge of nebulous and dynamically changing forces. Often the success of distribution efforts is contingent upon such intangibles as public psychology, competitors' actions, eye appeal, timing, fads, government actions and fiscal policies, seasonal trends, stage of the business cycle, and the like. Therefore, when we as cost accountants move into the field of controlling and analyzing distribution expenses, we must recognize that we are dealing with problems entirely different from those we face in the area of production expense.

What do we mean by distribution cost analysis? The words, themselves, immediately suggest detailed reviews and evaluations of various specific distribution functions and expenses. However, the term has considerably more significance. There is a far broader story that I would like to develop by suggesting a specific program for a particular company—we may call it the X Company.

Let us assume that the X company makes five major products. It has national distribution of all five products and advertises each in varying degrees. Our program of distribution cost analysis for the X company can be stated in terms of a five-point plan:

1. Adequate and proper determination of actual distribution costs.
2. Proper budgetary control procedures.
3. Periodic allocation of total cost to products.
4. Periodic reports of profit contributions by products and control units.
5. Special analyses where required.

1. *Accounting Classification.* Wherever

**Exhibit 1**

COMPANY X: SUMMARY OF BUDGETED NET PROFIT, BY PRODUCT AFTER FULL COST ALLOCATION

(Calendar year ending Dec. 31, 1950)

| | *Total* $ | *Product Line* | | | | |
|---|---|---|---|---|---|---|
| | | A | B | C | D | E |
| Budgeted Volume (units) | — | 100,000 | 10,000 | 50,000 | 100,000 | 40,000 |
| Net Sales ($) | 720,000 | 100,000 | 20,000 | 100,000 | 300,000 | 200,000 |
| Cost of Goods Sold | 288,000 | 40,000 | 8,000 | 40,000 | 120,000 | 80,000 |
| Gross Profit | 432,000 | 60,000 | 12,000 | 60,000 | 180,000 | 120,000 |
| Direct Distribution Expenses | 356,000 | 40,000 | 6,000 | 50,000 | 150,000 | 110,000 |
| Remainder: | | | | | | |
| Dollars | 76,000 | 20,000 | 6,000 | 10,000 | 30,000 | 10,000 |
| Per Unit | — | 20¢ | 60¢ | 20¢ | 35¢ | 25¢ |
| Allocated Distribution Expenses ($) | 60,000 | 10,000 | 1,000 | 15,000 | 30,000 | 4,000 |
| New Profit: | | | | | | |
| Dollars | 16,000 | 10,000 | 5,000 | –5,000 | — | 6,000 |
| Per Unit | — | 10¢ | 50¢ | –10¢ | — | 15¢ |

From an address before the 31st Annual International Cost Conference of the National Association of Cost Accountants, New York City, June 20, 1950.

## Exhibit 2

COMPANY X: REPORT OF PROFIT CONTRIBUTION

Salesman XYZ

| | *Month of March, 1950* | | | *Three months ending March, 1950* | | |
|---|---|---|---|---|---|---|
| | *Budget* $ | *Actual* $ | *Performance* (+ *or* —) $ | *Budget* $ | *Actual* $ | *Performance* (+ *or* —) $ |
| Net contributions to fixed distribution cost and profit | 2,000 | 1,300 | –700 | 7,000 | 3,000 | –4,000 |
| Direct Expenses[1] | 3,000 | 2,700 | 300 | 11,000 | 10,000 | 1,000 |
| Total gross profit[2] | 5,000 | 4,000 | –1,000 | 18,000 | 13,000 | –5,000 |
| Product A | 2,000 | 2,000 | — | 8,000 | 5,000 | –3,000 |
| B | 500 | 300 | –200 | 1,500 | 1,400 | –100 |
| C | 500 | 700 | 200 | 1,500 | 1,600 | 100 |
| D | 1,000 | 500 | –500 | 4,000 | 2,000 | –2,000 |
| E | 1,000 | 500 | –500 | 3,000 | 3,000 | — |

[1] Salary, cmmissions, traveling, telephone and telegraph, auto expense, bonus or incentive payments, payroll taxes, and other direct out-of-pocket expenses.

[2] Net sales less standard or budgeted cost of sales.

possible the account classification should be set up on a functional basis, dealing first with the major functions of distribution such as general sales administration, field selling, warehousing and advertising. These should then be further subdivided into salesmen's salaries, travel, auto, telephone and telegraph expenses, storage and handling, commissions, incentive awards, bonus payments, advertising, clerical labor and so on. Consideration should be given to the *nature* of the function, so that where possible a segregation can be established in the expense accounts as between those functions which are fixed and those which are variable. This is desirable for sound budgeting.

2. *Budgetary Control.* The second step is the development of a sound program of budgetary control on a variable budget basis. Budgeted objectives or standards set by the budget can be very helpful. These budgets should emphasize the importance of personal responsibility on a functional basis and should be developed by starting in the field at the lowest control unit (salesman and product) and soliciting the direct assistance of the individual in building realistic objectives.

3. *Periodic Allocation of Distribution Costs.* This includes all costs, so that the end result is a net profit by products. Selling prices may be evaluated and cost relationships examined as between fixed and variable expenses, and as between direct and allocated. We can also study the effects of volume increases and decreases and examine many other relationships which you will recognize as following the various patterns made possible through breakeven chart analyses.

However, although I believe that a full cost allocation to products is desirable, I do not believe that it would normally be necessary more than once a year, usually at budget time. Allocations of full cost should be based on annual planned costs and on the anticipated program for the following year. Under such a plan, salesmen's salaries and their related expenses would be spread to products, by salesmen, on the basis of the way the salesmen *should* spend their time and effort. Commissions, brokerage, bonus and incentive payments also usually tie into products rather well. Likewise, ware-

housing costs can frequently be associated with products. Advertising expenditures can usually be allocated, too, although there may be certain exceptions. Office costs, such as order handling and billing, can usually be justifiably spread on volume—weighted, if need be, to give special recognition to particular products.

In Exhibit 1, you will note that cost of goods sold has been arbitrarily set at 40 per cent of net sales for all products. However, direct distribution expenses differ considerably by products, ranging upwards from 50 per cent of gross profit. These variations result in a remaining gross profit after direct expenses which varies considerably on a per-unit basis among the various products. On a per-unit basis, Product B heads the list, with Product D second. However, with full consideration to allocated expenses, Product D moves to a break-even basis and Product C moves into a loss position.

At this point, Exhibit 1 suggests innumerable questions: Are we getting proper territory coverage? Are our salesmen spread too thin? Are we employing the proper channels of distribution? Are we covering the larger potential customers adequately or are we concentrating too much on small-volume customers? Are we selling in the right size of order? Are our prices right? Do we have enough advertising or too much? Are we using the most effective advertising media? These and many other questions can stimulate special analyses which will contribute materially to more profitable business.

4. *Profit Contribution Determination.* Presumably, at the time the X company developed its budgeted program for the year, it established profit objectives acceptable under the then known conditions. Let us develop some simple mechanism which will provide X company management with an evaluation of progress toward its budgeted goal. In this connection, Exhibit 2 is submitted as one of the most important tools of distribution cost analysis. Changing mixes of sales are quickly spotted and evaluated. Productivity of the salesman is measured in terms of his profit contributions by products. These are the real "pay-off" figures as to whether we are getting results from our distribution dollars.

5. *Special Analyses of Distribution Cost Performance.* The final point of our program calls for analytical probing of distribution activities on a "trouble-shooting" basis. Wherever applicable, such probing would be directed in terms of salesmen, territories, products, channels of distribution, classes of customer, size of order, types of selling, delivery methods, types of advertising media, warehousing methods, inventory positions, customer service, and so on. Obviously each of these areas has its own problems. Our analysis would investigate the function or activity being performed to determine the possibilities of alternative courses of action.

## *Special Fund Supplements Inadequate Replacement Reserve*

HAS POSTWAR DECLINE in the value of the dollar made your depreciation reserve too small? Did you run your equipment three shifts a day during the war so that its rate of wear tripled while the Treasury's depreciation allowance plodded on at the same old 16 years?

In 1948, Chapman Valve Mfg. Co., Indian Orchard, Mass., installed a continuous molding and pouring setup and a new cupola in its iron foundry, converted the old steel foundry for welding and heat-treating, and bought a few machine tools. Total for these steps, $509,027.80.

During this same year it became obvious that a great number of machine tools required replacement. But the balance sheet showed a depreciation reserve of less than a million dollars on equipment that had cost $3,200,000—insufficient to cover replacement at present-day prices.

To obtain an independent appraisal, Chapman called in the Fire Insurance Associa-

tion of Hartford, which maintains records showing replacement value for every type of machine tool built since 1900. Their survey indicated that depreciation allowances were $800,000 too small.

To make up the difference, the company arbitrarily transferred $100,000 from Surplus in each quarter of 1948 and 1949 to a special fund for replacement, funding these amounts by purchase of U. S. Government Bonds.

Late last year the works manager presented a list of immediately advisable replacement projects. Approved projects total about $285,000. Total replacement expenditures this year are expected to be about $300,000 as compared with slightly more than that last year, and the aforementioned $500,000 in 1948.

Many of the new units show savings of more than 50 per cent of production time, three from 75 to 80 per cent. In most cases, the new machine will replace over-age units—sometimes as many as three or four machines.

Chapman Valve is, of course, in the position of enjoying high postwar volume, so its surplus was sufficient to permit a shift of funds. But in any case, the recognition of the need for modernization and the practical approach to the problem can be helpful to other companies currently facing the same problem.

—E. J. Tangerman in *American Machinist* 7/10/50

## Public's Idea of Company Profits Still Exaggerated, Survey Shows

DESPITE INDUSTRY'S INCREASING EFFORTS to get economic facts across to its employees and the public, the American people still have a highly exaggerated idea of the profits made by large companies. This is shown by a recent nationwide survey conducted by the Psychological Corporation.

Those surveyed were asked: "Out of every *dollar* which large companies take in, about how many *cents* do you think they keep as a clear profit?" Responses are tabulated below:

| *Cents Profit On Each Dollar* | *Per Cent of Respondents* |
|---|---|
| 0¢-9¢ | 22 |
| 10¢-19¢ | 16 |
| 20¢-29¢ | 14 |
| 30¢-49¢ | 11 |
| Over 50¢ | 10 |
| Don't know | 27 |

According to government figures, the most nearly correct answer is less than 10 cents. In a similar study in May, 1946, only 13 per cent of the respondents gave this answer. The fact that 22 per cent gave the correct answer in the later study shows a slight improvement. The more significant fact, however, is that 51 per cent still think the net profit is anywhere from 10 cents to more than 50 cents of the sales dollar.

These same people were then asked: "How many cents out of every *dollar* do you think they *should keep* as a fair profit?

| *Profits Companies Should Keep* | *Per Cent of Respondents* |
|---|---|
| 0¢-9¢ | 23 |
| 10¢-19¢ | 20 |
| 20¢-29¢ | 15 |
| 30¢-49¢ | 9 |
| Over 50¢ | 6 |
| Don't know | 27 |

In reply to the query, "Do you think large companies are making about the right amount of money, too much, or too little?" 42 per cent of respondents said companies were making too much; 36 per cent said "about right"; and 6 per cent thought business was making too little. The remainder did not answer.

# Some Problems of War Damage Insurance

A CHALLENGING PROBLEM today is that of providing adequate insurance against property losses and personal injuries to civilians under modern warfare conditions. The practical question of how payment for such war damages is to be met has been very much in the forefront in Great Britain and the United States.

Under the U. S. war damage plan during the period December 13, 1940, to June 30, 1947, losses aggregating $1,274,-000 were paid. In the period July 1, 1942-June 30, 1945 (during which premiums were actually collected) total premiums were $245,921,053. The bulk of the losses occurred in Hawaii, Alaska, and the Pacific islands. The total maximum liability was approximately $140 billion, of which about $23 billion, or 16 per cent, was concentrated in New York City.

The problem of who shall pay for damages raises the question of whether the cost shall be borne by the individual property owner through premiums, the government through taxes, or by a combination of both.

The German and French laws recognize a responsibility of government to pay indemnity for destruction of all types of property as part of the direct cost of war. The acts make no provision for payment of premiums and all sums come from the national treasury. In Britain, the insured property owner pays a premium for war risk coverage on commodities and on business personal property. Free coverage up to $1,200 is given on private property, with a premium being required on amounts in excess of this. Compensation for real property is financed partly by the property owners from premiums and partly by the government on a 50-50 basis.

The War Damage Corporation in the United States operated on a premium basis with the deficit, if any, to be made up from the capital of WDC which was $1 billion.

There are many arguments both for government to assume full responsibility and for individuals to assume full responsibility. It is claimed that in case of a catastrophe it would be impossible for any organized group of policyholders to contribute sufficiently in a relatively short time to meet the financial demands. One approach is that this cost should be considered as an expense of war and equitably borne by all citizens, since it is the community's duty as far as practicable to mitigate the effects of haphazard war damages by spreading their burdens. An opposite approach is that if the government obligates itself to pay damages in full, that would constitute an unjustifiable earmarking of national resources for a particular objective.

The question of a pre-payment insurance plan apparently was never considered seriously in France or Germany, and their legislatures merely declared it public policy to replace property under the conditions stated. The British established a plan whereby the property owner pays his yearly contribution based on the value of his property. These premiums are cumulated and the losses also cumulated annually. If premiums aren't sufficient to pay half of the losses, the government makes a decision as to what to do with the excess.

In the United States, the original commitment of the War Insurance Corporation was to provide reasonable protection against loss. The act was purposely worded to avoid committing the government in advance to full payment. Sentiment in the RFC was to pay something less than 100 per cent, possibly 75 per cent, and this approach was used in the Philippine war damage act. In the hear-

ing on the War Damage Corporation, it was brought out that unless definite commitments were made ahead of time, the people would not know whether they might ever be reimbursed or not. The final war damage act permitted WDC to provide reasonable protection against war risks. Policies were issued with face amounts and were all paid in full, but undoubtedly appropriations would have been made if necessary.

The primary administration of any plan will probably have to be through a government agency such as WDC. All countries which have set up plans found it necessary to establish such an administrative body. The size and duties of such an agency will bear a direct relationship to the type of operation desired. No matter what method of premium collection or administration is adopted, it is almost certain that use will have to be made of loss adjusting facilities of private insurance companies and of the independent adjusters. Arrangements would have to be made for a prompt appraisal of damages, irrespective of when losses are to be paid.

—From an address by A. L. KIRKPATRICK before the Pennsylvania Association of Insurance Agents at Bedford Springs (as reported in *The National Underwriter*, September 14, 1950).

## What Do You Mean . . . a "Friendly" Fire?

IT MAY SURPRISE YOU that a fire in your home or place of business can cause a lot of damage and still be "friendly."

A "friendly" fire (as defined by court decisions) is one you build for your own use—as in a furnace or fireplace. As long as it is well-behaved and the flames do not spread beyond the place where they belong, the fire is "friendly." *Direct or indirect damage it may cause is not recoverable under an ordinary fire policy.*

For example, a furnace fire may get too hot and crack the furnace—or steam escaping from a radiator may injure walls and woodwork—and the resultant damage will not be collectible as a fire loss.

A "hostile" fire, on the other hand, is one that never had any honorable intentions—an accidental fire that the property owner didn't want. "Hostile" fires are the ones your insurance policy is intended to cover. A "friendly" fire may start a "hostile" fire by spreading beyond its normal confines.

This legal distinction—valid in most states—has a practical moral for owners *of business property: Be sure your employees' carelessness with a "friendly" fire doesn't cause damage you can't recover.*

—The Atlantic Companies

## Crime Prevention Service for Business Men

A PRESSING BUSINESS PROBLEM today is the rising financial loss caused by crime—loss resulting from larceny, embezzlement, forgery, and burglary. No accurate record is available of the dishonesty losses created by employees, but some experts estimate them to be as much as $400,000,000 a year. The forgery and burglary losses will increase that amount considerably.

The Commercial Crime Commission, Inc.,* a non-profit membership association organized some years ago, is helping business men solve this problem. The Commission's attack on the problem is a fourfold one, involving: (1) warning business men of current criminal activities and suggesting safeguards to use; (2) analyzing companies' potential loss hazards and proposing solutions; (3) sponsoring monthly crime clinic meetings at which specific hazards are discussed and methods of eliminating them indicated; (4) conducting loss prevention surveys.

* 165 Broadway, New York, N. Y.

# The Broad Picture of Corporate Insurance

**RUSSELL B. GALLAGHER**

***Manager Insurance Department***
***Philco Corporation***

IN CONSIDERING CORPORATE INSURANCE in its broader aspect, it is well to remember that its professional administration is a new field. Its practitioners, however capable, are handicapped by the fact that all phases of business activity are not yet considered from the insurance standpoint.

In many companies, corporate policy on insurance is today strictly hearsay. A perfectly understandable reason lies behind this void. How can there be any development of policy unless the hazards subject to insurance and the insurance protection available are made known to those in a position to create or advise on policy?

If it is customary, for example, to purchase boiler insurance, pay the premium, and file the policy, does anyone in the company know when to write up a work order, create an insurance loss receivable account, or notify the insurance department of an occurrence which may have an insurance implication? Is the repair job a maintenance expense or a casualty chargeable to insurance? Will the accountant or plant manager, who readily recognizes the importance of filing a claim for fire damage, as readily recognize the business interruption loss, which ofttimes is far greater than the direct damage?

Today, many insured losses are not collected, only because the insurer did not know he was insured! There should be at least one man in every plant, shop, warehouse, store and office who understands the general nature of his company's policy on insurance. This man should be the focal point for all reports and queries having a bearing on casualties, losses, unusual occurrences and hazards. Yet he must not be responsible for the placement of coverage, the collection of losses, the abatement of hazard. He need only collect and transmit the facts on these functions to the insurance department.

He need not even have a comprehensive knowledge of insurance. All he need know is that there are three basic loss sources: (1) the loss, damage, or destruction of tangible or intangible property and property rights; (2) the resultant inability to continue earnings; and (3) property and personal injuries involving employees or the public. To insure against these loss sources, it is possible to obtain from 10 to 200 or more forms of coverage, depending upon the breadth of coverage offered.

Premium expense may be allocated in numerous ways, but unless it is spread with some consideration of losses, it is not a proper allocation. If no department, plant, or division is credited with reduced expense due to good housekeeping and safe operation, an important cost reduction tool is lost. Company failure to penalize those whose operations are dangerous, eliminates a powerful deterrent to future losses.

The most important insurance step which can be taken by management is the development of an insurance procedure manual. Its first section will contain a statement of corporate policy on insurance. The second section will refer to coverage and the steps to be taken in making reports. The third will contain all financial data, such as rates, premiums, losses, ratios, and probable future results. New coverages or extensions of present protection, comments on brokers and insurance companies, internal lapses, and similar matters will be discussed in addenda which would be closely held in top management.

From an address before the Willamsport (Penna.) Chapter of the National Association of Cost Accountants.

From such a manual, important developments can be expected. Company executives will begin to find a rational pattern which can be followed for the orderly passage of information through present channels to the insurance department. The result will be a wider understanding of the needs of the insurance department, of ways to avert loss, and a sensible policy on insurance.

## Keeping Your Retirement Plan Sold

INASMUCH AS an employee retirement plan provides benefits for employees primarily at the expense of the company, management might assume that it is unnecessary to do more than establish the plan. Such a plan, however, regardless of how soundly conceived it may be, falls short of its objectives if it is not thoroughly understood and enthusiastically accepted by the employees it covers, and also, in some situations, by their beneficiaries who may receive payments.

Why do people tend to forget the purpose of a plan, as well as its provisions? One reason may be lack of understanding traceable to inadequate explanation of the plan at the time of its establishment. Actually, to meet tax qualification requirements, it is necessary to make the plan and agreement available to the employees. The necessity for preparing this basic descriptive material should be made the occasion to present the salient features of the plan in a simple, realistic manner.

Introductory booklets should be stripped of all non-essential detail and should present an explanation of those plan fundamentals which most directly affect the employees and which will most likely be remembered by them. The most effective booklets are those which are gauged to the employee reader's ability to understand the plan's essentials.

If possible, the introduction of a plan should be accomplished on a direct, personal basis. Oral explanation reaches an individual's understanding effectively, but printed matter is a supplement to a verbal presentation. A number of companies have introduced their plan at company-wide meetings or departmental dinners for all employees, a project which, when properly handled, can start the employee's conception of the plan on a favorable basis and may prevent unfortunate misunderstanding in later years.

If the size or scope of a company's activities prohibits contact of all personnel, the explanation can be made to key employees, supervisors or foremen so they, in turn, may interpret the plan's benefits to the people in their departments.

Brevity is as essential as simplicity. Attractive booklets, printed in various colors to catch attention, and prepared in convenient size to facilitate handling, are advisable as basic explanatory media. They can be distributed when the plan becomes operative, and presented to new employees as they become eligible to participate. In the preparation of the booklet, effective use can be made of drawings to illustrate key points and emphasize their applications.

Even though a plan may be introduced effectively, it can be quickly forgotten by its participants unless a continued effort is made to remind them of the plan's benefits to them personally. Methods of keeping a plan alive in employees' thinking after it has been established may easily stem from the subjects in the introductory presentations. With an original explanation successfully accomplished, the significant points of that original explanation may subsequently be singled out and presented in greater detail. The various important provisions of a plan can be explained, one at a time, through the medium that seems best suited for the purpose, depending upon the size of the company, the number of offices or plants it may operate, and the characteristics and habits of its employees.

Some companies have utilized employee publications in the form of monthly or

weekly newspapers or magazines to describe these important provisions and to illustrate their application. A monthly magazine, published for the employees of a machinery manufacturer, features the description of at least one element of the profit-sharing plan each month in an attractively illustrated, readable style. Various features of the plan are described in detail, and employees who are about to retire are interviewed for special articles that feature their service with the company, their work, their families, and plans for life after retirement. Going fishing, working in the garden, traveling, or just plain staying at home may seem like over-publicized items, but they can be extremely important to individuals who are concerned with their prospective retirement.

In addition to the periodic use of publications for distribution among employees, specific points of a plan may be highlighted by occasional illustrations and descriptions through the use of bulletin boards, posters, and mailings to individual employees.

Mailings can be particularly effective when they are in the form of useful reminders such as simply operated computer cards which can be used by each employee to determine yearly the amount of retirement benefits that have accrued for him. Mailings to an employee's home address possess the additional advantage of contacting the employee's family and of generating interest among family members.

Many companies mail a yearly statement to each of the employees to indicate the amount contributed to the plan for his benefit, comparing that amount to the employee's annual salary, and including a simplified balance sheet of the entire fund. This reduces to terms that are easily understandable the amount that has been accrued for the benefit of an employee, on a tax-free or favorable tax basis, each year. These mailings can be made on a calendar year basis, or advantage may be taken of the anniversary date of the establishment of the plan to remind its participants of their accumulated benefits under the program.

—SHELDON A. WEAVER in *Private Benefit Programs and Growing Labor-Welfare Demands* (published by *The Journal of Commerce*, New York). 28 pages.

TO LEARN WHETHER management is preparing its older workers for retirement, *Mill & Factory* recently surveyed all types and sizes of manufacturers throughout the country. Here's what the survey showed: Most employees 65 years of age or older would rather continue working than retire, even if they were assured a livable pension, 56 per cent of the respondents believe. Their firms do nothing to prepare their older employees mentally for the time they must leave the company, 90 per cent report; but 80 per cent of the respondents feel companies should do something to help employees over the transition period. If employees over 65 prefer to work rather than retire, 81 per cent of the companies find they are an asset and worth keeping on the payroll.

—*Mill & Factory* 9/50

**AMA FALL INSURANCE CONFERENCE**

***The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 16-17, at the Hotel Drake, Chicago.***

## Prosperity Paradox

HERE'S A PARADOX: In these days of high employment and general industrial prosperity, many state unemployment insurance funds are shrinking fast.

A recent *Wall Street Journal* study of eight key industrial states—New York, Ohio, Illinois, Massachusetts, Pennsylvania, Michigan, Rhode Island, and California—shows that, with the exception of Michigan, all have been paying out more to jobless workers during the past year than they've collected. Managers of insurance funds in all eight of these states expect benefit payments this year to top receipts by wide margins.

In some cases, compensation reserve funds, built up rapidly during the war, have been shrinking for five years. Mostly, though, the drain developed in the past year or two.

California's fund, for example, hit a peak of $731 million at the end of 1945; by the end of 1949 it was down to $590 million. Massachusetts' reserve has been dwindling steadily for the past five years, while New York's fund has been dropping since the end of 1947.

Criticism of the way states handle unemployment payments is increasing. Comments the Brooklyn Chamber of Commerce on New York's jobless pay system: "Today we pay tax-free unemployment benefits to persons on vacation. . . . Thousands of people work merely long enough to earn sufficient wages to qualify for jobless payments. The present system fosters idleness at public expense."

Two measures to tighten administration of New York's law have been introduced—so far unsuccessfully—before the state legislature. One would require copies of every check paid a claimant to go to the worker's former employer. Another bill would deny compensation to people who quit work to have a baby or take a vacation, who have left the labor market or who are fired for misconduct.

California stipulates that if a worker has earned $750 or less in the previous year, and three-fourths of that amount was in a single quarter, he is ineligible for benefits. This provision is to keep the insurance fund from being depleted by migrant workers in such highly seasonal industries as canning.

But the main emphasis today is on tracking down fraudulent claims. The Michigan Manufacturers' Association, for instance, has succeeded in putting into effect the practice of sending an employer copies of the checks charged to his record each week.

—*The Wall Street Journal* 3/29/50

## The Yegg and You

YOUR LIFE, or the life of any of your employees, is worth much more than any amount of money you may lose in a holdup. Figures show that crimes of all sorts are on the increase. No one can determine exactly what the risk is of your being held up, but there are things you can do to minimize that risk.

One is to bank frequently. Don't let money on hand pile up.

Here are a few simple safety rules to follow in getting your company's money to the bank. First, avoid habits. Don't have your deposit taken over at the same time every day, or by the same route. Alternate employees if you can.

You may want to have your money escorted. If you do, don't permit the escort to walk with the messenger—for one man can hold them both up at the same time. Have the escort follow the messenger. The distance between them will vary with the size of the crowds encountered. If the streets are crowded, the escort should keep close; if not, he could drop back 30 or 40 feet. If you use an automobile, try to use a different one from time to time. If your police department is cooperative, and if it has enough officers to give you the service, ask for an escort. Talk your problems over with your local police chief. Ask him to give you an escort occasionally, even when you don't have an especially large amount of money. This keeps the criminals guessing. And they are more likely to hold up a sure thing than a business man who keeps them guessing.

—RICHARD L. HOLCOMB in *Nation's Business* 7/50

# Survey of Books for Executives

PUBLIC RELATIONS IN THE LOCAL COMMUNITY. By Louis B. Lundborg. Harper & Brothers, New York, 1950. 228 pages. $3.00.

*Reviewed by Millard C. Faught**

Mr. Lundborg could have written a lot worse document, and I would still be impressed by the fact that here is a *whole book* on an important business subject which for too long has received only lick-and-promise attention.

In my sincere but possibly biased opinion, "community relations" by units of enterprise comes very close to affording a practical *common denominator* for virtually all the complex "relationships" between people everywhere and the various corporate forms of economic activity whereby they live and work together. Though he may now live in a big city and work in a big plant, man is still a gregarious animal; and he shows no signs of departing from his age-old habit of relating and evaluating things in terms of his habitat—*his* street, *his* neighbors, *his* Hometown. Moreover, he continues to formulate his attitudes about what's what in his community in terms of some very commonplace and common sense criteria.

I am happy therefore to observe that Mr. Lundborg seems to have hewn steadily to the theme that a company or other business entity is or is not a good neighbor in terms of about the same workaday habits, acts, and attitudes as apply to all the flesh-and-blood neighbors in Hometown.

It is doubly impressive to observe that a banker should have written this book. There is a bank at the corner of the main intersection of virtually every community in America, and their business functions are closely interwoven with all the other business activity in town. Banks therefore have a key opportunity to practice good "community relations," and thus foster better understanding of the grass-roots economic processes of our system. I would commend Mr. Lundborg's book most heartily to his banking compatriots, but no less heartily to the managements of other forms of enterprise.

It may also reflect Mr. Lundborg's banking background, and if so I rate it as fortunate, that he has related many of his suggestions to the hard-headed fact that good community relations is economically profitable as well as socially desirable. His thorough lists of do's, don'ts and how-to-do-its may be brief on philosophy, but they are certainly practical for the business executive who wants to "get down to cases" on improving his own company's community relations.

Practicing people in public relations and personnel work will cheer Mr. Lundborg for pointing out, and re-emphasizing, one operational fact in particular—namely, that the Company Brass Hats cannot "order up" a good community relations program and not expect to *participate* in its execution themselves. He makes clear that a good set of community realtionships for a company, like a good reputation for an individual, is hard to *buy* but relatively simple to *earn*.

Mr. Lundborg's extensive reference to community relations practices of the Caterpillar Tractor Company bespeaks a highly significant aspect of sound community relations; Caterpillar has done such a fine job of being a good industrial citizen of Peoria, Illinois, that its community reputation has spread all over the country—suggesting perhaps that a company's good *community* relations at home is a prime ingredient of good *public* relations anywhere.

* President, The Faught Co., Inc., New York.

THE INTERNATIONAL LABOR DIRECTORY. Edited by Domenic Di Galbo and Albert N. Abajian. Claridge Publishing Corporation, New York, 1950. 904 pages. $25.00.

*Reviewed by Arthur T. Jacobs**

The name, title, and official address of nearly everyone who is anybody in the American, Canadian, and British labor movements and in American government labor agencies, arbitration agencies, and other organizations functionally associated with the labor movement are contained in this monumental, useful, and handsome reference work. For added value, it includes a miscellany of information not directly pertinent to its main theme, but useful undoubtedly to those readers who cannot immediately lay their hands on such material: the texts of the AFL and CIO constitutions and of the Labor-Management Relations Act of 1947, the names of the editors of the leading newspapers in the United States, brief historical appraisals of the status of the labor movements of the three major English-speaking nations, state registration and election dates, labor schools and libraries, etc.

The heart of this comprehensive volume is the listing, international union by international union, local union by local union, federation

* Assistant Executive Director, New York Association for New Americans, New York City.

by federation, of the names and whereabouts of all key union officials . If you want to know who controls the music you hear and dance to in your home town, merely run your eye down the listing of American Federation of Musician locals from Local 1 to Local 864 and you'll soon see his name, address, and even telephone number if he has one. U. S. and Canadian unions seem to be covered fully. The British listings cover the main unions in each industry and all joint industrial councils. Coverage for the rest of the world is limited to the major national trade union federations in each country and the names of some 40 odd labor publications.

Other major features of the *Directory*, the product of over two years of research, are 17 three-column pages of listings of Federal and 12 pages of state and Canadian agencies and officials concerned with one aspect or another of industrial relations; 25 pages of listings covering the labor press and its editors; the officers of the various international labor federations; and the names and officers of some two dozen miscellaneous peripheral organizations in the field of labor.

The *Directory* is weak in three spots: The list of peripheral organizations could be greatly expanded without covering organizations more remotely related to the labor movement than many already listed. The lists of labor lawyers and labor consultants do not by any means even touch the number of such practitioners in these fields; moreover, in a volume devoted to the labor movement, it is odd to find among these listings so many who represent not unions but management. Finally, so long as the editors went to the trouble of listing lawyers and consultants, why did they not include arbitrators—a group infinitely more pertinent to the subject? But these minor criticisms detract little from the value of this notable volume.

## Briefer Book Notes

[Please order books directly from publishers]

### General

HOW TO BECOME A SUCCESSFUL SPEAKER. By Harold P. Zelko. National Foremen's Institute, New London, Conn., 1950. 160 pages. $2.50. A brief, practical text for management personnel, supervisors, salesmen, and all others who wish to improve their speaking effectiveness in their business and social relations.

OUTWORN BUSINESS IDOLS. Third Edition. By W. H. Conant. Barron's Publishing Company, Inc., 388 Newbury Street, Boston 15, Mass., 1950. 262 pages. $4.00. This book takes the measure of many business customs which the author maintains have outworn their usefulness and suggests more modern and economical practices to take their places. Typical chapters are as follows: Low Pressure Selling ("Like the hare and tortoise story, it is steady plugging that pays off"); Less Leisure for Executives ("It is no disrespect to them to stress their need on the job less intermittently"); Let's Not Call a Conference ("The narcosis of conference will not quiet the pain of ultimate decision"); Cash Discount Extravagance ("They are more costly than a business can properly afford"); The Time Study Myth ("A too widely accepted plant activity"). There are many who will disagree with the ideas advanced in these and other chapters, but who may nevertheless enjoy the author's originality and candor. The present edition has been completely rewritten and expanded.

GOVERNMENT AND BUSINESS. By Vernon A. Mund. Harper & Brothers, New York, 1950. 659 pages. $4.75. A timely and thorough examination of the purpose and extent of government regulation of business. Discusses the economic functions of government, legality of industrial pricing methods, state antitrust laws, the role of government in advancing technology, constructive proposals for creating and maintaining a policy of competition, and many other important topics in this field.

PUBLIC ADMINISTRATION. By Herbert A. Simon, Donald W. Smithburg and Victor A. Thompson. Alfred A. Knopf, New York, 1950. 582 pages. $6.00. A realistic and lucid explanation of how government is managed in all its executive branches. The principles and concepts discussed here are by no means limited to government operations and will be of interest and importance to all serious students of organization and business administration.

HOW TO RUN A SMALL BUSINESS. By J. K. Lasser. McGraw-Hill Book Company, Inc., New York, 1950. 350 pages. $3.95. This practical guide for the small business man is divided

into two main parts: The first provides general instructions on organization, accounting, tax management, credit, financing, insurance, merchandising, and legal aspects of small-business management. The second part of the book is concerned with the operation of particular businesses (a store, a small plant, a wholesale establishment, and a business office). Conveniently arranged and indexed, this book contains sample statements, instructions for preparing tax returns, suggestions for developing business and control inventories, and other specific information which every business man needs to keep at his fingertips.

MANUAL OF PREVENTIVE LAW. By Louis M. Brown, assisted by Edward Rubin. Prentice-Hall, Inc., New York. 1950. 346 pages. $5.00. Written in laymen's language, this book is designed to help the business man to keep out of legal difficulties. Explains what his rights are in various types of business transactions, what legal remedies he has in case of default, and how to protect his interests at all times. It will also be of value to home owners and family heads for its special sections on landlord-tenant relations, on insurance, and its discussion of the many everyday situations which involve the law.

HOW TO RAISE REAL WAGES: *A Statement on National Policy.* The Research and Policy Committee, Committee for Economic Development, 444 Madison Avenue, New York, 1950. 41 pages. Single copies, gratis. Following a discussion of significant past trends in the level of real wages, this report analyzes the major economic factors upon which future progress depends.

SPECIAL LIBRARIES DIRECTORY OF GREATER NEW YORK. Fifth Edition. Compiled by the Directory Committee, New York Chapter, Special Libraries Association, 1950. Available from Miss Erna L. Gramse, Westvaco Chemical Division, 405 Lexington Avenue, New York 17, N. Y. 111 pages, $3.00. ($2.50 to Special Libraries Association members.) The purpose of this excellent directory is to make known the many special collections in the New York area which, under certain conditions, are available for reference and use on a basis of mutual cooperation. Lists libraries not holding SLA membership as well as SLA members. Libraries included are located in New York City and Westchester and Nassau counties. Libraries are classified here by subject of major interest. The present edition (which has been enlarged and brought fully up to date) also contains a subject index with cross-references which should facilitate finding libraries with good collections on a number of subjects. In addition a library index lists alphabetically the names of all the organizations included in the text. Names of librarians and assistants are also included.

THE LAUNDRY INDUSTRY: *The Story of a Billion Dollar Industry.* By Fred De Armond. Harper & Brothers, New York, 1950. 302 pages. $4.00. Traces the growth of the laundry industry from its beginning in the 1840's down to the present day. Some of the production and personnel problems discussed here, and the solutions worked out by this industry, will be of interest to others.

PRODUCTION MANAGEMENT IN SMALL PLANTS. By Frank K. Shallenberger. *Business Research Series No. 5,* Graduate School of Business, Stanford University, Stanford, California, 1950. 44 pages. 50 cents. This study is an attempt to help meet the generally recognized need for greater management "know how" in small plants. Written in simple, direct language, specifically for the owner-operator of the small manufacturing concern, it is not intended as an operating manual; but it spotlights common shortcomings and contains practical suggestions to guide the small plant operator in helping him to increase the efficiency of his operations.

CORPORATE SURETYSHIP. Second Edition. By G. W. Crist, Jr. McGraw-Hill Book Company, Inc., New York, 1950. 441 pages. $5.50. This comprehensive text discusses the purposes of suretyship, the markets it is intended to serve and how it serves them, the major classes of bonds which it issues, the conditions which indicate the necessity for them, and the services they render. Much attention is paid to fidelity bonding in its many aspects, since this comprises approximately half of the total business of corporate suretyship. The author differentiates between insurance and suretyship and suggests many of the rights and duties of the three parties to the contract, as well as the benefits which accrue to them. The present edition brings fully up to date the basic material which appeared in the preceding (1939) edition.

## Office Management

TEXTBOOK OF OFFICE MANAGEMENT. Third Edition. By William H. Leffingwell and Edwin M. Robinson. McGraw-Hill Book Company, Inc., New York, 1950. 649 pages. $5.00. As in previous editions, the new revision of this widely respected text presents the principles and applications of scientific office management in clear language, organized in easily understood form with emphasis on modern techniques. Special features include a new 35-page chapter on the office manual, new material on employment and training, enlargement of the

chapters on Correspondence, Transcribing, and Working Conditions, a discussion of the policies and procedures in office unionization, and other additions and enlargements. A Teacher's Manual is available to accompany the Third Edition.

CUTTING FILING COSTS. *Report No. 590,* The Dartnell Corporation, Chicago, 1950. 53 pages, plus exhibits, loose-leaf bound. $7.50. How can a company determine what records to keep and what to destroy? What procedures can it set up to handle retention and disposition of its records—smoothly and continuously? Who should be assigned the responsibility for the records program? How can the filing department—in many companies the office step-child—become a reliable, respected management tool? This report answers these and related questions, based on a study of practices prevailing among large and small companies.

## Personnel and Labor Relations

MANAGEMENT IN MOTION: *The Corporate Decision-Making Process as Applied to the Transfer of Employees.* By Neil W. Chamberlain. Labor and Management Center, Yale University, New Haven, Conn., 1950. 124 pages. $2.00. This is a critical appraisal of how one company—a telephone company servicing an entire state and employing approximately 9,000—defined its transfer problem and sought a policy to solve it. Two purposes are sought to be served by this study and two themes run through it. First, the subject of employee job movements within a company—an important but relatively neglected one—receives here the attention it deserves. Second, this is the account of the decision-making process in a company as it was directed to a single issue. The definition and preliminary discussion of the problem, committee action and top management approval, dissemination of the decision and its application in various departments and exchanges within the company are traced in some detail. A significant case study.

THE MANAGEMENT OF PERSONNEL AND LABOR RELATIONS. Second Edition. By Gordon S. Watkins, Paul A. Dodd, Wayne L. McNaughton and Paul Prasow. McGraw-Hill Book Company, New York, 1950. 974 pages. $5.75. The new edition of this text covers the entire field of personnel relations and labor management. It has been completely revised and largely rewritten to incorporate the changes in the field which have occurred in the past 12 years, and much new illustrative material has been added.

PROCEEDINGS OF THE FOURTH ANNUAL CONFERENCE OF THE TRAINING WITHIN INDUSTRY FOUNDATION. Training Within Industry Foundation, 382 Springfield Avenue, Summit, New Jersey, 1950. 89 pages. $3.00. Papers on various aspects of training—in specific job skills, supervisory techniques, economics, etc., and methods for setting up and operating the training program. Authors include Channing R. Dooley, Thomas G. Spates, J. G. Purvis, A. H. Houseknecht, and others.

THE COUNSELING INTERVIEW. By Clifford E. Erickson. Prentice-Hall, Inc., New York, 1950. 174 pages. $2.35. Though directed primarily to student counselors, this book has substantial applicability to the problems of industrial counseling and their effective handling in the counseling interview.

THE DEVELOPMENT OF A POLICY FOR INDUSTRIAL PEACE IN ATOMIC ENERGY. By Donald B. Straus. *National Planning Pamphlet No. 71,* National Planning Association, 800 21st Street, N. W., Washington, D. C. 1950. 104 pages. How one of America's essential industries—atomic energy—has avoided disastrous strikes is the subject of this latest pamphlet in the Association's series on The Causes of Industrial Peace Under Collective Bargaining. Tracing the handling of labor relations in the atomic energy industry from wartime days to June 10, 1950, this study throws new light on problems of collective bargaining—bargaining in this case complicated by the third-party role of government in guarding national security and in controlling all costs of the program.

MAKING GRIEVANCE PROCEDURES WORK. By Abbott Kaplan. Institute of Industrial Relations, University of California, Los Angeles, 1950. 36 pages. 25 cents. This study is based upon an analysis of procedures contained in 100 union contracts of representative firms in Southern California, supplemented by a written questionnaire and personal interviews which provided information on how the procedures work in practice.

TRANSACTIONS OF LEGAL CONFERENCE. Industrial Hygiene Foundation, 4400 Fifth Ave., Pittsburgh 13, Penna. 1950. 52 pages. 75 cents. This conference report summarizes legislative developments in workmen's compensation, state industrial hygiene codes, air-pollution regulations, and trends in health and sickness disability benefits. It also includes a discussion of industrial noise effects and reduction.

FINANCIAL REPORTS OF LABOR UNIONS. By George Kozmetsky. Division of Research, Graduate School of Business Administration, Harvard University, Boston, 1950. 280 pages. $3.50. This is a pioneer study of the accounting and financial reporting methods of international labor unions and the part that financial reports can play in union administration. Part I sketches the history of reporting from 1853 to provide a background for the analysis in Part II of the reports of specific internationals. Part III examines current union accounting practices to determine their effect on financial reporting. Part IV points out ways in which the union official may use reports in his administration of union affairs and in informing the membership and the public of union activities.

REPORT OF SECOND INDUSTRIAL RELATIONS CONFERENCE. Industrial Relations Section, University of Montreal, Quebec, 1950. The following papers were presented at this conference: "Collective Bargaining Trends," by George W. Taylor; "Recent Steel Labor Dispute and Its Effect on Pensions," by Carroll R. Daugherty; "Trends in Arbitration and Conciliation," by James C. Cameron; and "Some Essentials of Management Policy in Industrial Relations," by Bryce M. Stewart.

INSURED PENSION AND WELFARE PLANS. By Robert E. Larson. Wisconsin Commerce Reports, Volume II, No. 5, Bureau of Business Research and Service, School of Commerce, University of Wisconsin, Madison, Wisc., 1950. 129 pages. $1.10. A discussion of ways whereby companies can provide group security plans for employees and methods by which intelligent policies can be drawn up. Covers life insurance, pension and annuity plans, casualty insurance, and the costs and efficient administration of such plans.

VIEWS AND IDEAS ON PENSIONS. Research Council for Economic Security, 111 West Jackson Boulevard, Chicago 4, Ill. 1950. 15 pages. Gratis. A review of recent comments and ideas in the field of pensions.

## Marketing

THE SALES PROMOTION HANDBOOK. Edited by John Cameron Aspley. The Dartnell Corporation, Chicago, 1950. 1071 pages. $10.00. A companion to the Dartnell *Sales Manager's Handbook,* this volume supplements but in no way duplicates it. It covers those functions of marketing that come into play after the sales organization is operating and is in a position to capitalize on a planned sales promotional effort. Specifically, this handbook discusses promotions which speed the introduction of a new product; promotions which move merchandise after it has been distributed; promotions to broaden the markets for a product; promotions to pull a sales territory out of the doldurms. Thus it carries on where the *Sales Manager's Handbook* leaves off. The first part of the volume covers the over-all planning of sales promotional activities and the tools with which the objectives of such activities can be attained. Part II shows how these promotional tools and devices can be most effectively used in connection with various ways of marketing a product or service. Covers the promotion of durable goods as well as consumer goods. A comprehensive and worthwhile reference.

HOW TO SELL TO THE UNITED STATES ARMY: *A Pamphlet Designed to Assist the Businessman.* Department of the Army, Washington, D. C., 1950. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 32 pages. 30 cents. The objective of this very helpful and timely pamphlet is to explain how to go about doing business with the Army. Presents a great deal of information in concise and lucid form, including the names and addresses of Army purchasing offices and a general description of the types of commodities each procures.

1000 WAYS A SALESMAN CAN INCREASE HIS SALES. By Charles B. Roth. Prentice-Hall, Inc., New York, 1950. 312 pages. $4.75. Even experienced and successful salesmen can read this book with profit and pleasure, for it contains a wealth of practical ideas and presents them with color and originality. All the techniques described here for doing a creative sales job have been used by star salesmen and are adaptable to any sales situation.

RETAIL CREDIT MANUAL. By J. Gordon Dakins. Credit Management Division, National Retail Dry Goods Association, 100 West 31st Street, New York 1, N. Y., 1950. 620 pages. $4.50. A comprehensive and authoritative guide to modern credit techniques, this manual explains the retail credit methods and procedures which have proved effective in leading stores.

EFFECTIVE SALES MANUALS. *Report No. 582,* The Dartnell Corporation, Chicago, 1950. 54 pages, plus exhibits, loose-leaf bound. $7.50. Contains a variety of helpful suggestions for

preparing an effective sales manual or making the most of existing manuals. Opinions and experiences of many sales executives are reported, together with reproductions of selected sample pages from company manuals in actual use.

THE HOW OF SUCCESSFUL SELLING. By Robert G. Seymour. College of Commerce & Business Administration, University of Illinois, Urbana, Ill. 1950. 28 pages. Gratis. A concise and highly readable discussion of the common-sense rules of successful selling, adapted from a series of 12 articles by the same title which appeared in *The Christian Science Monitor* in March and April of this year.

## Publications Received

(Please order directly from publishers)

### GENERAL

GOVERNMENT REGULATION OF BUSINESS. By Ronald A. Anderson. South-Western Publishing Co., Cincinnati, 1950. 694 pages. $4.50.

EFFECTIVE COMMUNICATION IN BUSINESS. By Robert R. Aurner. South-Western Publishing Co., Cincinnati, 1950. 692 pages. $4.25.

SPEAKING FOR ALL OCCASIONS. By Mortimer Becker. Prentice-Hall, Inc., New York, 1950. 169 pages. $2.75.

SOME THEORY OF SAMPLING. By William Edwards Deming. John Wiley & Sons, Inc., New York, 1950. 602 pages. $9.00.

COMPULSORY MEDICAL CARE AND THE WELFARE STATE. By Melchior Palyi. National Institute of Professional Services, Chicago, 1950. Distributed by The Committee for Constitutional Government, Inc., 205 East 42nd Street, New York 17, N. Y. 156 pages. $1.00.

LABOR IN POLITICS. Employer-Employee Relations Division, Chamber of Commerce of the United States, Washington 6, D. C. 1950. 39 pages. 50 cents.

MANAGEMENT AUDIT: *Selected References.* U. S. Bureau of the Budget Library, Washington, D. C., 1950. 6 pages.

STRENGTHENING FREE ENTERPRISE THROUGH ADVERTISING. By Willard F. Rockwell. The Economic and Business Foundation, New Wilmington, Penna., 1950. 45 pages.

CORPORATE CONCENTRATION AND PUBLIC POLICY. By Harry L. Purdy *et al.* Prentice-Hall, Inc., New York, 1950. Second edition. 727 pages. $6.65.

REPORT WRITING. By Carl G. Gaum *et al.* Prentice-Hall, Inc., New York, 1950. Third edition. 384 pages. $4.00.

### ECONOMICS

ECONOMIC IDEAS: *A Study of Historical Perspectives.* By Ferdinand Zweig. Prentice-Hall, Inc., New York, 1950. 197 pages. $3.65.

THE STABILIZING BUDGET POLICY: *What It Is and How It Works.* Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. 1950. 19 pages. Single copies gratis.

BEHAVIOR OF WAGE RATES DURING BUSINESS CYCLES. By Daniel Creamer and Martin Bernstein. National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y., 1950. 66 pages. $1.00.

### OFFICE MANAGEMENT

TESTING APPLICANTS FOR BANK CLERICAL POSITIONS. Customer and Personnel Relations Department, American Bankers Association, 12 East 36th Street, New York 16, N. Y. 29 pages.

HOW TO WRITE BETTER BUSINESS LETTERS. By Earle A. Buckley. McGraw-Hill Book Company, Inc., New York, 1950. Third edition (revised). 238 pages. $3.00.

### PERSONNEL MANAGEMENT

THE VALIDITY OF COMMONLY EMPLOYED OCCUPATIONAL TESTS. By Edwin E. Ghiselli. University of California Press, Berkeley and Los Angeles, 1949. 38 pages. 75 cents.

WHERE TO FIND VOCATIONAL TRAINING IN NEW YORK CITY: *A Directory.* Compiled and published by Vocational Advisory Service, 95 Madison Avenue, New York 16, N. Y. 1950. 124 pages. $2.50.

PROCEEDINGS OF THIRTEENTH ANNUAL NATIONAL TIME AND MOTION STUDY AND MANAGEMENT CLINIC. Industrial Management Society, 176 W. Adams Street, Chicago. 1950. 108 pages.

A SURVEY OF ACCIDENT AND HEALTH COVERAGE IN THE UNITED STATES—*As of December 31, 1949.* Health Insurance Council, Room 800, 488 Madison Avenue, New York 22, N. Y. 1950. 14 pages.

READINGS IN MODERN METHODS OF COUNSELING. Edited by Arthur H. Brayfield. Appleton-Century Crofts, Inc., 35 West 32nd Street, New York 1, N. Y. 1950. 526 pages. $5.00.

PAPERS RELATED TO TIMESTUDY: *Fourth Collection, 1950.* Arranged by Phil Carroll, Jr., 6 Crestwood Drive, Maplewood, N. J. 125 pages. $3.00.

## LABOR RELATIONS

COLLECTIVE BARGAINING PROVISIONS: *Health, Insurance, and Pensions.* Bureau of Labor Statistics, U. S. Department of Labor. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

YOUR WAGE-HOUR LIABILITIES AND EXEMPTIONS. Special report by staff, Labor Relations Institute, 1776 Broadway, New York 19, N. Y. 1950. 76 pages. $2.90.

STATE WORKMEN'S COMPENSATION LAWS. By W. R. Dittmar. Oceana Publications, 461 West 18th Street, New York 11, N. Y. 1950. 80 pages. $1.00.

LABOR PROBLEMS AND LABOR LAW. By Albion Guilford Taylor. Prentice-Hall, Inc., New York, 1950. Second edition. 608 pages. $6.65.

COST OF LIVING FOR WOMEN WORKERS: *New York State,* 1950. Division of Research and Statistics, State of New York Department of Labor, 80 Centre Street, New York 13, N. Y. 50 pages.

PENSIONS UNDER COLLECTIVE BARGAINING. By William Goldner. Institute of Industrial Relations, University of California, Berkeley, Calif., 1950. 42 pages. 25 cents.

MEMORANDUM ON UNIVERSITY RESEARCH PROGRAMS IN THE FIELD OF LABOR. Committee on Labor Market Research, Social Science Research Council, 230 Park Avenue, New York 17, N. Y. 1950. 64 pages.

ANNUAL DIGEST OF STATE AND FEDERAL LABOR LEGISLATION: *November 15, 1948—December 31, 1949.* Bureau of Labor Standards, U. S. Department of Labor. 140 pages. 35 cents. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

COLLECTIVE BARGAINING PROVISION: *Guaranteed Employment and Wage Plans.* Bureau of Labor Statistics, U. S. Department of Labor, 1950. For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 47 pages. 20 cents.

SOURCES OF INFORMATION ON UNION-MANAGEMENT RELATIONS. By J. Gormly Miller. New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y., 1950. 34 pages. 10 cents. Gratis to New York State residents.

## PRODUCTION MANAGEMENT

PRINCIPLES OF ENGINEERING ECONOMY. By Eugene L. Grant. The Ronald Press Company, New York, 1950. Third edition. 623 pages. $5.00.

REPORTS IN INDUSTRIAL ENGINEERING: *A Cumulative Bibliography of Ph.D Dissertations, Masters' Reports and Selected Course Papers.* By Students of the Department of Industrial Engineering, Columbia University. Available from Acquisitions Department, Columbia University Libraries, New York 27, N. Y., 1949. 61 pages. $2.00.

MAJOR SOURCES OF PRODUCTIVITY INFORMATION. By Allan D. Searle and Catherine S. Kaplan. Productivity and Technological Development Branch, Bureau of Labor Statistics, U. S. Department of Labor, Washington, D. C., 1949. 48 pages.

SOME BASIC TECHNIQUES IN MATERIALS HANDLING: *Proceedings of the Technical Sessions held Concurrently with the Second National Materials Handling Exposition.* Clapp & Poliak, Inc., Empire State Building, 341 Madison Ave., New York, 1948. 84 pages. $1.00.

THE WHAT AND WHY OF STOCK CONTROL. By Henry D. Brohm. College of Commerce and Business Administration, University of Illinois, Urbana, Ill., 1950. 28 pages. Gratis.

## MARKETING AND SALES MANAGEMENT

PHILOSOPHY OF SELLING. By C. A. Kendrick. Alken Press, Monticello, Indiana, 1950. 159 pages. $2.50.

OUTLINES OF MARKETING. By Hugh E. Agnew, *et al.* McGraw-Hill Book Company, Inc., New York, 1950. Third edition (revised). 432 pages. $4.25.

Retail Merchandise Planning. College of Commerce and Business Administration, University of Illinois, Urbana, Ill., 1950. 16 pages. Gratis.

The How and Why of Retail Credit. By D. W. Belcher. College of Commerce and Business Administration, University of Illinois, Urbana, Ill., 1950. 36 pages. Gratis.

Retail Price Distributions. Bureau of Business and Economic Research, College of Business and Public Administration, University of Maryland, College Park, Md. 1950. 20 pages.

Techniques of Retail Merchandising. By John W. Wingate and Elmer O. Schaller. Prentice-Hall, Inc., New York, 1950. 620 pages. $6.65.

Successful Retail Salesmanship. By O. Preston Robinson and Christine H. Robinson. Prentice-Hall, Inc., New York, 1950. Second edition. 378 pages. $5.35.

Operating Results of Department and Specialty Stores in 1949. By F. L. Foster, Jr. Bureau of Business Research, Harvard University, Boston, 1950. 68 pages. $5.00.

Proceedings of the Sixth Annual Conference of Sales Managers. Edited by Bureau of Business Research. College of Commerce and Administration, Ohio State University Columbus, Ohio, 1950. 135 pages.

Trade and Agricultures *A Study of Inconsistent Policies.* By D. Gale Johnson. John Wiley & Sons, Inc., New York, 1950. 198 pages. $2.50.

The Regulatory Process in O.P.A. Rationing. By Victor A. Thompson. King's Crown Press, Columbia University, New York, 1950. 466 pages. $5.75.

How to Keep Volume Up and Costs Down. Proceedings of Super Market Institute's Thirteenth Annual Convention. Super Market Institute, Inc., 500 North Dearborn Street, Chicago 10, Ill. 1950. 127 pages.

## INSURANCE

In Pensions We Trust. By Joseph Schwartz. Charles D. Spencer & Associates, Inc., 166 W. Jackson Blvd., Chicago 4, Ill., 1949. 48 pages. $1.00.

The Pension Idea. By Paul L. Poirot. The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1950. 51 pages.

Facts and Figures of the Casualty Insurance Business. National Bureau of Casualty Underwriters, 60 John Street, New York 7, N. Y., 1949. 30 pages. 40 cents.

Experience of Selected Union-Management Disability Insurance Plans in New York State. Division of Research and Statistics, State of New York Department of Labor, 80 Centre Street, New York 13, N. Y., 1950. 86 pages.

Urban Mortgage Lending by Life Insurance Companies. By R. J. Saulnier. National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y. 1950. 180 pages. $2.50.

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STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233)

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1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York 18, N. Y.; Editor, M. J. Dooher, 330 West 42nd Street, New York 18, N. Y.; Managing Editor, None; Business Manager, Lawrence A. Appley, 330 West 42nd Street, New York 18, N. Y.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York 18, N. Y.; Lawrence A. Appley, President, 330 West 42nd Street, New York 18, N. Y., James L. Madden, Treasurer, 1 Madison Avenue, New York 10, N. Y.

3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

M. J. DOOHER, Editor.

Sworn to and subscribed before me this fourth day of October, 1950.

(Seal)

MARIE SQUILLACIOTI, Notary Public.
(My commission expires March 30, 1951.)

# *People, Priorities, and Parts . . .*

**AMA FALL PRODUCTION CONFERENCE**

**HOTEL DRAKE, CHICAGO • DECEMBER 11-12, 1950**

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A MOBILIZATION PROGRAM FOR PRODUCTION *(Panel)*

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